COGNOS®

2000 ANNUAL REPORT

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Limitations have disappeared.

RON ZAMBONINI
President and Chief Executive Officer

*TO OUR SHAREHOLDERS_*

The borders around and within business are dissolving. Geographical distinctions, time restrictions, information constraints—the electronic era has made these limitations obsolete. It's a new race, on unfamiliar terrain, with rules that are constantly changing. And the finish line, if it ever existed, has completely disappeared from view.

Speed. The time to accomplishment is accelerating constantly. The technologies available to us—the Internet, networks, intranets, extranets—let us meet this pace of acceleration head-on. Success in the new economy is about maximizing the speed of business cycles by optimizing business processes.

Information. Nobody can run their business today without information. It has become like electricity. In just a few short years the Web has changed the business equation; it makes everything happen faster, it has created a surplus of information. Beating out the competition means using the Web to harness this information, to connect to your customers and your business.

Business transformation. Businesses are no longer bastions of brick with a limited number of concrete products and services. Delivering quality products and services will always be critical to business success. However, the rise of e-commerce and business-to-business connectivity means that, more than ever before, businesses must compete on how quickly, creatively, and effectively they can connect to their partners, suppliers, and customers.

Businesses must compete in the virtual realm. They have reached a point of fundamental change that is so revolutionary that it cannot be achieved with an ordinary evolution of current business processes.

I believe that what emerges, once the business world has found its rhythm in the new economy, will be something extraordinary. As remarkable as the first steam engine. As momentous as the first electric light. As consequential as the first telegraph message.

Cognos solutions are critical to this evolution because they connect people to their business. They are about helping people marry intelligence to information—at the speed of the Web.

There's no going back.

e-Business *is* business. Businesses that want to participate in the new economy cannot ignore this fact. They also cannot overlook the importance of communities—and communication—in the e-business world. Today, an enterprise is comprised of the internal and external communities that define it—the supply chain, the core business, Net marketplaces, partners, and customers. Today's extended enterprise successfully connects with all of these communities, just as it comfortably unites electronic processes with traditional brick-and-mortar business processes.

Cognos provides the fundamental technology infrastructure that businesses need to operate with agility, to connect. I am proud to say that we help businesses run smarter and faster by building software that empowers them to see information in a way that accelerates understanding, at the appropriate level of detail. Information that is consistent, up-to-date, manageable, accessible from a Web browser. And we take them to the next level after that: empowering them to communicate this information across their supply chain, and to customers, suppliers, and the larger business community.

This year we boldly advanced our leadership and accomplishment in the Business Intelligence industry, with customers now numbering more than 14,000, and products within these organizations licensed to over 1.8 million users to date. And I am as pleased with the market potential before us as I am with this year's results and with the quality of our solutions. The market for Business Intelligence solutions is experiencing unprecedented growth. The proliferation of business-to-business use of Business Intelligence, which is fostered by the extended nature of every enterprise today, means that Cognos' market includes not only our customers, but their customer and supplier markets as well.

In fact, the Cognos solution is a key facilitator of e-business processes. Businesses are using our solutions to deliver value-added, information-driven services to their customers—like Web-based access to account status, or interactive analyses of their purchasing patterns over time. Many businesses are charging fees for the value-added service that Business Intelligence delivers. So our solution has become a sales and service medium, as well as a marketing vehicle, that offers a value-added revenue potential for our customers.

For Cognos, as for all businesses, the new economy means larger opportunities, additional markets, and more rigorous competition. We are enhancing our organizational model and aggressively developing leadership within our company by investing in attracting and retaining top talent, by offering a world-class internal leadership development program, and by strengthening our operations and our senior executive team. I am happy to say that Terry Hall, Senior Vice President of Worldwide Operations, was appointed Chief Operating Officer early in this fiscal year. Terry formerly headed up Worldwide Sales and Services, and has played a pivotal role in the significant growth Cognos has achieved over the past six years.

I am also pleased to announce the addition of Joanne Masingill to our senior executive team as Senior Vice President of Marketing. She will be instrumental in ushering in a new era of brand quality and awareness—key components to extending our leadership reach. In addition, Alan Rottenberg was designated Senior Vice President of our newly formed e-Business Intelligence Applications unit, and Rob Ashe is heading up our Worldwide Customer Services organization as Senior Vice President. They will be playing a key role in better connecting Cognos to our customers, and creating an end-to-end customer experience that is unmatched in our industry.

As Cognos strengthens its leadership position in the Enterprise Business Intelligence for e-business market, we want to continue to reinforce the quality and experience level of Cognos' board of directors. I am very pleased to announce the appointment of Candy M. Obourn and John E. Caldwell to our board of directors. Both Candy and John bring a

wealth of business experience to the table. They represent new, diverse viewpoints, and complement the talents of the current board members.

In the Internet economy, the value of our solution is more compelling than ever before. Cognos is a strategic business solution provider. Our solution helps our customers attract and retain *their* customers. Only Cognos offers this breadth of capabilities and depth of knowledge, which means we are uniquely positioned within the expansive Business Intelligence market space.

This year was a turning point for Cognos, marking a move from market leadership to market dominance.

The limitations have disappeared.

R. Zambonini

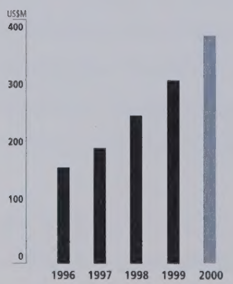
RON ZAMBONINI
President and Chief Executive Officer

Financial Highlights

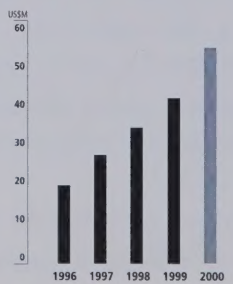
					YEARS ENDED THE LAST DAY OF FEBRUARY
	2000	1999	1998	1997	1996
					(US$000s, except per share amounts; U.S. GAAP)
Revenue	**$385,640**	$301,125	$244,834	$198,185	$152,186
Gross research and development costs	**54,244**	42,746	33,997	26,003	19,715
Income before taxes	**81,688**	75,368[1]	61,759[1]	45,814	23,526
Diluted net income per share[2]	**0.67**	0.69[1]	0.55[1]	0.40	0.20
Working capital	**166,455**	123,343	112,846	103,727	66,149
Total assets	**379,886**	289,129	219,663	189,152	140,010
Total debt	**2,176**	2,612	2,457	2,655	2,744
Stockholders' equity	**215,304**	162,614	131,005	115,912	78,297

1 Excludes acquired in-process technology expense of US$3.8M or $0.03 per share in fiscal 1999, and US$18.0M or $0.19 per share in fiscal 1998
2 Reflects the two-for-one stock split authorized April 6, 2000, subsequent to the fiscal 2000 year-end, and the three-for-one stock split in fiscal 1997

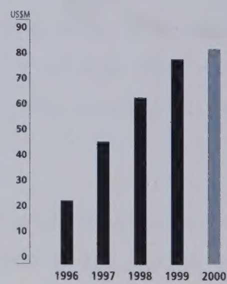
Total Revenue



Gross Research and Development Costs

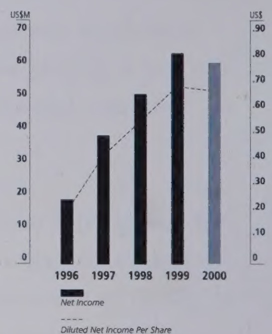


Income Before Taxes[1]



[1] Excludes acquired in-process technology expense

Net Income and Diluted Net Income Per Share[1]



[1] Excludes acquired in-process technology expense

THE FINISH LINE HAS DISAPPEARED_

The finish line

The limitati

HOW WILL YO

WIN TH

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UR BUSINESS
RACE?

1.

Redefine what it means to win.

Your success is now about more than just your bottom line. How it is gauged is constantly changing—for every business, every industry, every market. You must define what success means for your business, before your competitors do it for you.

Winning is about having the strength and flexibility to run the race longer, harder, and better than anyone else. It's about outrunning the competition, negotiating the twists and turns ahead with finesse. And this means knowing where to train your eye, where to plant your foot—and where not to.

"The logic of business success has changed fundamentally. You don't need the most people, or the most money, or the fanciest offices to create the most value anymore. You need the most powerful ideas and the highest standards. Brains and values—that's what it takes to win."

BILL TAYLOR
Founding Editor,
Fast Company Magazine

2.

Change the rules.

It's a new game. If you want to outsmart the competition, you need to dominate the Internet.

You don't need to simply fuel your business for growth. You need to do the electronic equivalent of altering your business' atomic structure. You need to shape-shift, fly, lift off, propel. Be a rule-maker.

"The Web changes the way people do business. The new prime currency is speed. Electronic business processes put a premium on the speed with which companies must stay ahead in terms of their knowledge about their business. Specialized analytic applications inject intelligence into all forms of business processes, so that companies can transform the Web's speed imperative into business opportunity."

HENRY MORRIS
International Data Corporation (IDC)

3.

Use the right equipment.

Out-thinking the competition demands fast reflexes and the ability to reorient your view of the world. To do this, you need a better compass.

Software is your map and your survival kit. The Web has sounded the starter's pistol. Embrace technology that maximizes your running power.

> "We are just beginning to understand the true value of information. It is a core asset for businesses in the new global economy. It offers companies the opportunity to redefine how their business is valued. To reach this objective, corporations need to mature information along a life-cycle that can enable its optimal use within the organization and among its partners, suppliers, and customers."

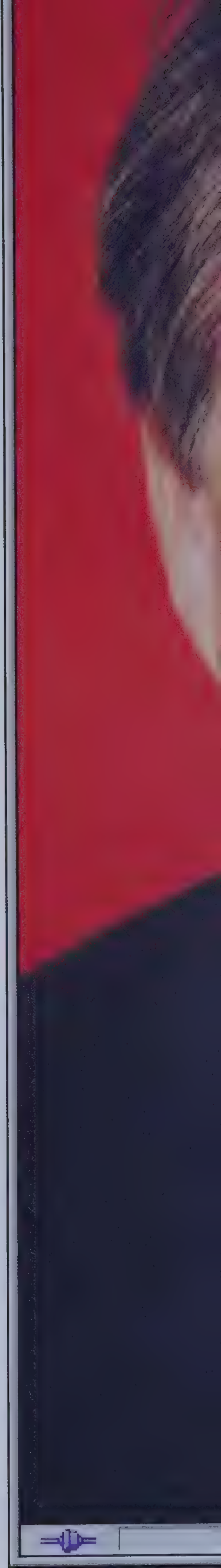
MARK A. SMITH
META Group

Smart businesses are finding ways to turn the Web's speed + information imperatives into opportunities for business transformation.

SMART BUSINESSES

"By 2001, a common BI platform will be among the top three items on any leading IS organization's 'must have' list. It will be a primary criterion for selecting BI applications. By 2002, 50 percent of large companies worldwide will have an e-Business Intelligence strategy. This massive move will be driven by the necessity for organizations to offer value-added BI service across their supply chain. Those who don't will be left behind."

HOWARD DRESNER
The Gartner Group



Sam Coursen, ***CIO, NCR Corporation:***

"We're doing things today that were unthinkable two years ago"

NCR transforms business transactions into relationships. And key to the success of any business relationship is the speed with which you can deliver value. For us, this means not only helping our customers quickly understand and meet the needs of their customers, partners, suppliers, and employees, but streamlining our own business processes so that we can be a more efficient partner.

We've been working with Cognos internally for a little over a year now to help us reach this goal. Cognos offers a Business Intelligence view of our corporate data warehouse, which is supplied with operational data from across the company—finance, operations, marketing, and more.

An example of the value we've seen so far is our Inventory Management solution. We decided to build a Cognos application on top of the inventory data stored in our NCR Teradata® warehouse, to give our associates around the world rapid access to information they can use and act on. This project has helped save NCR about $10 million a year.

We're doing things today that were unthinkable two years ago. We're getting fast, top-to-bottom analysis of worldwide financial results through a single application. We're replacing many of the cumbersome follow-ups needed to get answers in the past. And, we're getting quick access to performance analysis and visualization of our company's e-business driven systems. All of this makes us a better partner to our customers by helping us run our business more efficiently.

Terry Jones, ***President and CEO, Travelocity.com:***

"Sometimes your customers love you for the information you don't give them"

That may sound strange coming from the president of a dot-com company that offers information on over 700 scheduled airlines, 46,500 hotel properties, 50 car rental companies, and 5000 vacation and cruise packages. But in the knowledge economy, sometimes less is more.

Travelocity.com recognizes that consumers want choice and control. So although we offer creative and unique customer-centric tools and services like Fare Watcher e-mail updates, seat maps, and destination guides, we don't bombard our consumers with an endless stream of unsolicited junk e-mail, and we don't submit them to a mountain of information from the moment they log on to our site.

It's about rich, meaningful content. It's about getting the right information out at the right time. And for our customers it's also about an optimized Web experience, convenience, speed, and timing—if someone just got back from a vacation in Hawaii they probably don't need information about great Hawaiian vacation packages. We take all of that into account as part of our philosophy of personalization.

Cognos solutions help us crystallize our understanding of Travelocity consumers, so that we can connect to them in a meaningful way. Cognos allows us to quickly analyze and understand vast amounts of valuable information captured in our various transaction engines. This helps us to profile consumers so that we can understand their needs to better target our business planning and development.

Ultimately, the Web is about delivering a better customer experience. To do this, you need to go way beyond demographics. You need to understand your customers—their preferences, their patterns. And the more you know, the better their experience. Not only does Cognos help us connect to our customers, they do it with the same principles of convenience, speed, and information richness that we aim to deliver to our clients.


Travelocity.com

Neil Pamment, ***Tibbett & Britten Group IT Director, Tibbett & Britten Group plc,***
Dave Vokins, ***European Business Technology Group Manager, Tibbett & Britten Group plc,***
Mandy Nash, ***IT Director European Operations, Tibbett & Britten Group plc:***

"Success doesn't come in a box. But it's still something we can deliver"

Our customers are primarily retailers and manufacturers. For them, success is about more than selling their wares. It's about creating lean supply chains that respond efficiently to changes in consumer demand. That means establishing intelligent logistics systems. We have become the seventh largest logistics company in the world by helping to do this.

Our customers expect much more from us than simply the ability to ship their goods from point A to point B. We enable them to focus on their core business, without having to worry about the supply chain.

Above all else, Tibbett & Britten provides expertise to its customers through technology innovation. Cognos Business Intelligence helps us to help our customers better manage their business. As a logistics contractor, we are the 'hub' of the supply chain. We monitor our customers' requirements and improve capacity management and resource planning. All of our reporting is done over the Web, which saves everyone time and money, and because we manage all of the Business Intelli information centrally, everyone is working with consistent, up-to-date data.

These reports include consolidated supplier performance data that shows our customers how their suppliers are servicing them, who the best suppliers are, and how to improve service in the future. Since we introduced this application, one major British retailer has seen a 24-percent improvement in service. We also help suppliers improve their performance by giving them scorecard information that reveals trends and patterns in their behaviors, so they can address inadequacies, and work to secure or improve their supplier status.

We also add Business Intelligence value by measuring and managing our own business performance. With over 12,000 commercial vehicles, 430 sites in 32 countries spanning 5 continents, and over 30 million square feet of warehouse space, we understand the need for automated business performance management. And because our corporate principles are honesty, integrity, and openness, we report back to our customers on our own performance as a supplier.

Cognos solutions harness Internet technology to make information easily accessible to everyone in our organization and beyond. Not only does Cognos help us better understand what drives our logistics business, but it helps us help our customers to understand and improve the efficiency of their own supply chain.

Year in Review

INVESTING FOR GROWTH IN THE NEW ECONOMY

Cognos is focused on capturing the marketplace, because the market is vibrant and now is the hour to seize this opportunity. To this end, this fiscal year has been about extending our leadership. Our strategies to achieve this: Rolling out the world's most complete Enterprise Business Intelligence platform; expanding our global market coverage; and evolving our operations to enhance customer success.

Revenue for the fiscal year 2000 was $385.6 million, an increase of 28 percent compared with revenue of $301.1 million for the previous year. Total revenue from Business Intelligence products was $328.0 million. We saw a steep rise in the rate of growth for Business Intelligence revenue. On a full year basis, the growth rate for Business Intelligence revenue increased to 42 percent in fiscal 2000, versus 31 percent the previous year.

Our results are reflective of strong customer endorsement of our solutions and solid operational execution. While Enterprise Business Intelligence continues to dominate Cognos' strategy, we also support our application development tools, which performed as expected, with revenues of $57.6 million.

The Web is dominating our sales cycles and e-business is the driving force behind this. The dramatic swing on the part of customers to our Web-based Enterprise Business Intelligence solutions is showing itself in the associated increase of large enterprise orders, with more than 400 transactions exceeding $50,000 in the fourth quarter alone—a jump of over 50 percent compared with the same period last year. Well over one-third of our large transactions this year ($50,000+) were in excess of $100,000 each. Ten were over $1 million.

Sales of our Web-based Business Intelligence products more than doubled. Moving into the final half of fiscal year 2000, more than 85 percent of our large enterprise orders encompass our Web-based solutions for deployment in intranet and extranet environments. Twenty-five to thirty percent of these are for extranet applications that facilitate the exchange of information with the extended enterprise.

Selling products and services over the Web is an important aspect of our customers' e-business transformation. Companies must deliver products and services to their customers at e-speed. Businesses must also connect their entire supply chain, and collaborate with suppliers to get the right products at the right price with the right quality at the right time. Cognos delivers the infrastructure that lets companies address their need for speed, and work with suppliers and customers effectively. Our extranet story is a highly successful one. Hundreds of customers are using our solutions for business-to-business applications, including supply chain management and as a value-added or saleable service to their customers.

This year, our strategy of investing for growth focused on three fundamental principles: Delivering a solid customer-centric solution that meets the widest range of Business Intelligence needs in the new e-business economy. Expanding our Web-based market coverage and direct operations to increase actual sales, gain more geographic coverage, and reach new customers. And ensuring that Cognos is structured organizationally to best meet the needs of our customers.

Our profitability this year reflects this growth strategy. The payback for accelerating investment was measured in top-line growth rather than simply growth in profit margins. Our decision to invest for growth and leadership today will enable us to further dominate the Business Intelligence market and reap greater long-term rewards. The success of this strategy is already evident. Business Intelligence revenues for the latter half of fiscal year 2000 were 45 percent higher than for the same period last year, and provide a clear indication of the enormous value of our growth proposition.

TAKING BUSINESS INTELLIGENCE TO THE NEXT LEVEL

The Cognos platform for Enterprise Business Intelligence is a substantive, complete solution—a solution that is more than competitive, a solution that changes the rules about the value Business Intelligence can deliver to any business. Not only does our platform render all of the requisite Business Intelligence values and functionality necessary for an enterprise to embrace it as a corporate standard—we believe that it is the broadest, most comprehensive solution on the market. It is critical to success in the e-business environment.

The Cognos Enterprise Business Intelligence Platform The e-business marketplace has spawned a shift in technology requirements from individual tools to end-to-end solutions. The market demands solutions that quickly deliver a broad range of functionality to meet the needs of the vast user base associated with the extended enterprise. The January 2000 launch of the Cognos Enterprise Business Intelligence platform saw the fruition of our effort to not only meet this new market requirement but exceed expectations around the value of Business Intelligence solutions in the e-business economy. Our infrastructure offers business people what nobody else can: a seamless and comprehensive Business Intelligence experience and the ability to analyze business data in ways best suited to the individual user.

The breadth of our offering is unmatched. No known single competitor offers data mart creation through to advanced data visualization, in addition to world-leading global expertise, services, support, and knowledge transfer. Only Cognos offers a solution that meets *every* Business Intelligence requirement, end-user need, and IT demand.

As a result, the nature of customer purchases is changing. Our customer base is extending Business Intelligence coverage enterprise-wide by increasing licenses of single products, then augmenting this coverage with Business Intelligence platform services. New customers are ordering Business Intelligence platform bundles as part of their initial purchase, including data extraction, portal, and visualization services. Increasingly, we are seeing Cognos solutions introduced across departments and enterprises. This shift in the buying habits of customers is indicative of two related e-business requirements. First, more users within organizations need to have access to Business Intelligence functionality. Second, these users need access to an expanded range of analysis and reporting capabilities. As users become more adept and experienced with our solutions, we believe these requirements will continue to grow.

e-Applications Companies need results at e-speed, which means they need a solution that they can implement fast. One of the ways we are positioned to deliver robust Business Intelligence value very quickly is with e-Applications. These predefined data marts, key reports, and analyses are prepackaged for speedy deployment. In fact, e-Applications are so highly deployable via the Web that they can save our customers a complete business cycle.

e-Applications proved strategic to Cognos' business this year. These business-ready, production-ready, and e-ready applications are a key differentiator for Cognos—to our knowledge, none of our direct competitors can offer a complete solution that combines prepackaged business content and an easy-to-install operational framework, with the ability to unite both brick-and-mortar and click-and-mortar data, and then deploy the entire solution over intranets, extranets, or the Internet.

Since the first e-Application, for Sales Analysis, was released in February 1999, two more have come to market—Financial Analysis and Inventory Analysis. The rapid growth in contract sizes around e-Applications reflects not only the market's enthusiastic response but the strategic value of this type of solution in a knowledge-based economy. They offer a complete, global picture of Sales, Finance, or Inventory in businesses of any size, as well as delivering immediate benefits to the company—like shortening their sales cycle.

COVERING THE GLOBE—ONLINE AND IN PERSON

This year, we invested in making it easier for customers to buy and easier for our sales representatives to sell our solution. The ultimate outcome: higher rates of growth and sustainability of market leadership.

Online The Web has changed the meaning of the term 'global coverage,' by significantly expanding the possibilities around sales and marketing growth. In addition to leading the market in Web-based Business Intelligence solutions, we have taken a leadership stance in leveraging the Web as a business medium with which to communicate and interact with our customers, partners, and the marketplace at large. Reception of our move to the Web is reflected in the rapid growth in Web traffic we saw this year.

Our online presence expanded this year as well. Online demonstrations enable visitors to experience our products first-hand. A reinforcement of the ease-of-use of our solution, these demos illustrate how business people with no technical Business Intelligence experience can get immediate results with Cognos. The demos run against data that is of interest to a very broad audience, such as NASDAQ-listed company performance information, mutual fund performance information, and world trade data. In addition, tens of thousands of users a month experience the Cognos company reporting and charting solution that powers the Nasdaq.com Web site.

We are continually taking advantage of the Internet to better service our customers and create a high-impact Web experience. We have been leveraging localized national sites around the world to manage communications with global customers in their language of choice. We have fine-tuned our Web content around subject areas that are of interest to our customers, partners, and marketplace—including vertical industries, business solutions, and product information. We also continue to build a powerful online Services and Support

presence that includes e-commerce sales of training materials and personalized services through our Enterprise Services Portal.

In Person We increased the size of our direct operations dramatically this year, bringing Cognos Enterprise Business Intelligence into several new European countries, including Switzerland, Denmark, Norway, and Austria.

Business in our existing geographies is vibrant. In countries like Germany, France, the United States, and Japan we continue to see tremendous wins and increasing market coverage. We continue to see very strong, balanced growth across all of our major North American, European, and Asia/Pacific markets. North America continues to be the leading contributor to our Business Intelligence revenue, at 60 percent. Europe accounts for 32 percent, and the Asia-Pacific region represented 8 percent.

As a result of the business requirement for our solution becoming mainstream—it is no longer just the Fortune 500 who need Business Intelligence, but every business—we have expanded our direct operations in our key markets, into cities like Minneapolis, Berlin, Hamburg, Munich, and Stockholm.

In tandem with our sales expansion, we are dedicating increased resources and investment to maximizing market awareness of Cognos, and enhancing our leadership position through bold new branding and marketing efforts.

IT'S ABOUT THE CUSTOMER

Businesses want a cohesive, comprehensive technology infrastructure from a single vendor. They want a visionary provider that they can grow with. This means building our business around the needs of customers and buyers in our market. This year, we focused on running our business in ways that better serve our customers.

Worldwide Customer Services Like any smart company, we are interested in making it easier for people to buy, use, implement, and build on our solutions—for the long term. The onus is on us, as a technology company in a knowledge-based economy, to be a world-class knowledge transfer machine. To this end, we have built a Worldwide Customer Services unit that is focused on ensuring that customers can get insights from our software solutions as quickly as possible.

The Worldwide Customer Services unit is devoted to optimizing our customers' experience by accelerating the smooth flow of knowledge and service to our customers, providing them with a consistent, measured, start-to-finish process for knowledge transfer, and giving them easy access to our knowledge and services. In short, this unit's mandate is to build close partnerships with our customers.

To help achieve this goal, we have created and are deploying an Enterprise Services Portal that acts as the Web-based face of our customer organization. This portal is making all of our services—consulting, training, and support—readily accessible to our customers. It offers an information-rich, self-guided experience

that speaks to each individual customer's circumstances, issues, and requirements. From a single portal, customers will be able to register for and attend training courses, use the support knowledge base to answer product questions, or find out how our consultants can help them with their implementation.

The evolution of our Worldwide Customer Services organization has also had a solid positive impact on our business. With the addition of over 140 professionals to our technical sales and service support organizations, we were able to significantly increase our number of service days, enhance the breadth of the services we offer, and grow our Business Intelligence services revenue by 33 percent.

We realized similar successes with Customer Support, which is also fully Web deployed. According to our daily surveys, customer satisfaction is at an all-time high. Ninety-six percent of our supported customers would refer others to Cognos Support. The move to the Web continues—over 66 percent of our customers who use our support facilities have accessed our Cognos Web Support site for problem resolution.

Whether customers have been with us for five weeks, five years, or longer, we want to be a key infrastructure upon which they can continue to build, transform, grow, and adapt to the challenges of the ongoing e-business race. Our Worldwide Customer Services unit exemplifies our ability to shift and grow along with the market and with our customers.

By all counts, fiscal year 2000 was a successful year marked by accelerating growth as a result of a strategy built on investing for market dominance. Our success this year reflects our understanding that building shareholder value in the new e-business paradigm requires fresh, growth-focused ideas on how to build value in the new economy—in addition to strong products and services, world-class marketing, and the talent of the best in the industry. As we continue to build our business around our customers and around a strategy of continued growth, we look forward to watching the limitations—to speed, to value, and to success—disappear.

COGNOS INCORPORATED

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Management's Discussion and Analysis of Financial Condition and Results of Operations

(in United States dollars, unless otherwise indicated, and in accordance with U.S. GAAP)

The following discussion should be read in conjunction with the audited consolidated financial statements and notes included in this Annual Report. The Corporation prepares and files its consolidated financial statements and the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) in United States (U.S.) dollars and in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The consolidated financial statements and MD&A in accordance with Canadian GAAP, in U.S. dollars, are made available to all shareholders and filed with various regulatory authorities.

On April 6, 2000, subsequent to the year-end, the Board of Directors of the Corporation authorized a two-for-one stock split, effected in the form of a stock dividend, payable on or about April 27, 2000 to shareholders of record at the close of business on April 20, 2000. Share and per-share amounts in this MD&A, and the audited consolidated financial statements and notes thereto included in this Annual Report, have been adjusted retroactively for this split.

OVERVIEW

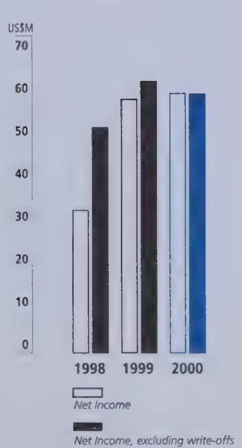
The Corporation develops, markets, and supports complementary lines of software tools that are designed to satisfy business-critical needs for the extended enterprise within traditional and e-business markets. The Corporation's business intelligence products are designed to give individual users the ability to independently access, explore, analyze, and report corporate data. The Corporation's client/server application development tools are designed to increase the productivity of system analysts and developers. Cognos products are distributed both directly and through resellers worldwide.

Revenue is derived from the licensing of software and the provision of related services, which include product support and education, consulting, and other services. The Corporation generally licenses software and provides services subject to terms and conditions consistent with industry standards. Customers may elect to contract with the Corporation for product support, which includes product and documentation enhancements, as well as telephone support, by paying either an annual fee or fees based on usage of support services.

The Corporation operates internationally, with a substantial portion of its business conducted in foreign currencies. Accordingly, the Corporation's results are affected by year-over-year exchange rate fluctuations of the United States dollar relative to the Canadian dollar, to various European currencies, and to a lesser extent, other foreign currencies.

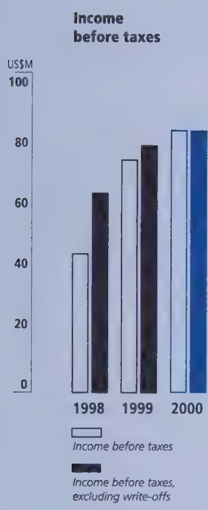
RESULTS OF OPERATIONS

Net Income



Total revenue for the year ended February 29, 2000 (fiscal 2000) was $385.6 million, which was 28% more than the fiscal 1999 revenue of $301.1 million which, in turn, was 23% more than the fiscal 1998 revenue of $244.8 million. Net income for fiscal 2000 was $58.8 million and diluted net income per share was $0.67, compared to fiscal 1999 net income of $58.4 million and diluted net income per share of $0.66, and net income of $32.6 million and diluted net income per share of $0.36 for fiscal 1998.

The results for the prior fiscal year, fiscal 1999 include the write-off of $3.8 million of acquired in-process technology as a result of the acquisitions of Relational Matters and LEX2000 Inc., both of which occurred in the last fiscal quarter of fiscal 1999. The results for fiscal 1998 include the write-off of $18.0 million of acquired in-process technology as a result of the acquisitions of Right Information Systems Limited and Interweave Software, Inc. during the year. Excluding the effect of these write-offs, net income and diluted net income per share for fiscal 1999 would have been $61.8 million and $0.69, respectively, and net income and diluted net income per share for fiscal 1998 would have been $50.6 million and $0.55, respectively.



Basic net income per share was $0.68, $0.67, and $0.37 in fiscal 2000, 1999, and 1998, respectively. Excluding the effect of the write-offs in fiscal 1999 and fiscal 1998, basic net income per share would have been $0.71 and $0.57, respectively.

The Corporation experienced a decrease in net income as a percentage of revenue in fiscal 2000 as a result of increases in selling, general, and administrative expenses and an increase in the provision for income taxes. During fiscal 2000 the Corporation increased its investment in its sales channels to focus on revenue growth and expand global market coverage. The provision for income taxes increased in fiscal 2000 from the prior fiscal years as the Corporation recognized the benefits of previously unrecorded tax benefits during fiscal 1999 and 1998.

The following table sets out, for each fiscal year indicated, the percentage that each income and expense item bears to revenue, and the percentage change in the dollar amount of each item as compared to the prior fiscal year.

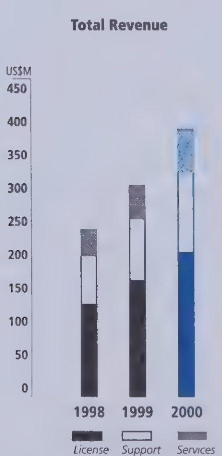
	PERCENTAGE OF REVENUE			PERCENTAGE CHANGE FROM FISCAL	
	2000	1999	1998	1999 to 2000	1998 to 1999
Revenue	**100.0%**	100.0%	100.0%	28.1%	23.0%
Operating expenses					
Cost of product license	**1.3**	1.9	1.5	(8.8)	49.9
Cost of product support	**3.5**	3.7	4.0	23.2	15.2
Selling, general, and administrative	**61.8**	57.3	57.5	38.1	22.4
Research and development	**13.9**	14.0	13.7	26.7	26.1
Acquired in-process technology	**0.0**	1.3	7.4	(100.0)	(78.9)
Total operating expenses	**80.5**	78.2	84.1	31.9	14.3
Operating income	**19.5**	21.8	15.9	14.1	68.8
Interest expense	**(0.2)**	(0.2)	(0.2)	36.2	9.6
Interest income	**1.9**	2.2	2.2	15.9	20.4
Income before taxes	**21.2**	23.8	17.9	14.1	63.6
Income tax provision	**5.9**	4.4	4.6	74.2	18.1
Net income	**15.3%**	19.4%	13.3%	0.7%	79.0%

The following table sets out, for each fiscal year indicated, the percentage that specific items bear to revenue, and the percentage change in the dollar amount of each item as compared to the prior fiscal year, when the effect of the write-offs of acquired in-process technology is excluded.

	PERCENTAGE OF REVENUE			PERCENTAGE CHANGE FROM FISCAL	
	2000	1999	1998	1999 to 2000	1998 to 1999
Revenue	**100.0%**	100.0%	100.0%	28.1%	23.0%
Total operating expenses	**80.5**	76.9	76.8	34.1	23.3
Operating income	**19.5**	23.1	23.2	7.9	22.1
Net income	**15.3%**	20.5%	20.7%	(4.8)%	22.0%

REVENUE

The Corporation's total revenue (consisting of product license, product support, and services revenue) was $385.6 million in fiscal 2000, compared to $301.1 million in fiscal 1999 and $244.8 million in fiscal 1998. The Corporation operates internationally, with a substantial portion of its business conducted in foreign currencies. Accordingly, the Corporation's results are affected by year-over-year exchange rate fluctuations of the United States dollar relative to the Canadian dollar, to various European currencies, and to a lesser extent, other foreign currencies. The effect of foreign exchange rate fluctuations decreased the overall revenue growth by two percentage points in fiscal 2000 from fiscal 1999 and by one percentage point in fiscal 1999 from fiscal 1998.

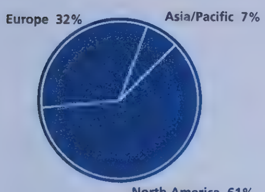


The Corporation's growth in total revenue was derived primarily from the increase in revenue from the Corporation's business intelligence products, principally Web versions of PowerPlay®, Impromptu® and to a lesser extent, the addition of revenue from Cognos Visualizer and DecisionStream™, which were released during fiscal 2000. The bundling of these products for facilitated and flexible deployment contributed to the growth of Web versions of the Corporation's business intelligence products. Total revenue for all business intelligence products was $328.0 million, $230.9 million, and $176.2 million in fiscal 2000, 1999, and 1998, respectively, which resulted in year-over-year increases of 42% and 31%, respectively. Total revenue from the Corporation's business intelligence products represented 85%, 77%, and 72% of total revenue in fiscal 2000, 1999, and 1998, respectively. As described in the following section on Product License Revenue, the Corporation believes that its business intelligence products address the current market need for distributing corporate information to the end user's desktop in an extended enterprise environment of corporate intranets, extranets and client/server networks.

Total revenue from the Corporation's application development tools, PowerHouse® and Axiant®, was $57.6 million in fiscal 2000, compared to $70.2 million in fiscal 1999, and $68.6 million in fiscal 1998, which resulted in year-over-year changes of (18)% and 2%, respectively. While the Corporation experienced an increase in total revenue from these products during fiscal 1999, as described in the following section on Product License Revenue, the Corporation believes that, in the long term, revenues from these products will continue to decline.

The growth in total revenue from the three revenue categories in fiscal 2000 from fiscal 1999 was as follows: a 28% increase in product license revenue, a 27% increase in product support revenue, and a 30% increase in services revenue. This compares to an increase for the same categories for fiscal 1999 from fiscal 1998 as follows: 25%, 28%, and 9%, respectively.

Fiscal 2000 Total Revenue
by geography

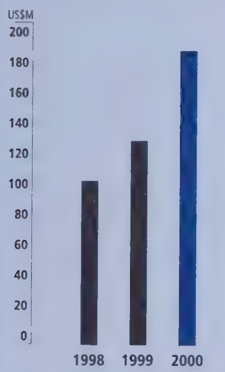


The Corporation's operations are divided into three main geographic regions: (1) North America (includes Latin America), (2) Europe (consists of the U.K. and Continental Europe), and (3) Asia/Pacific (consists of Australia and countries in the Far East). In fiscal 2000, the percentage of total revenue from North America, Europe, and Asia/Pacific was 61%, 32%, and 7%, respectively, compared to 59%, 34%, and 7%, respectively, in fiscal 1999, and 60%, 33%, and 7%, respectively, in fiscal 1998. In fiscal 2000, total revenue from North America, Europe, and Asia/Pacific increased from fiscal 1999 by 32%, 20%, and 32%, respectively, compared to increases of 22%, 25%, and 23%, respectively, in fiscal 1999 from fiscal 1998. The increase in growth for fiscal 2000 compared to growth in fiscal 1999 in North America and Asia/Pacific is attributable to the increase in revenue from the business intelligence products. The decrease in growth for Europe was attributable to slower growth in the U.K. where the Corporation experienced a relatively larger decline in revenue from application development tools and relatively less growth in business intelligence products.

Product License Revenue

Total product license revenue was $203.3 million, $158.4 million, and $126.8 million in fiscal 2000, 1999, and 1998, respectively, and accounted for 53%, 53%, and 52% of the Corporation's revenue for the respective time periods.

Business Intelligence

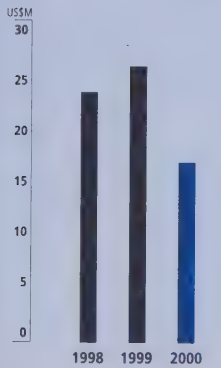


Product License Revenue

The increase in all periods occurred predominantly as a result of the performance of the Corporation's business intelligence products. Product license revenue from these products was $186.6 million, $131.9 million, and $102.3 million in fiscal 2000, 1999, and 1998, respectively. The Corporation derived approximately 92% of its product license revenue in fiscal 2000 from these products, compared to 83% in fiscal 1999, and 81% in fiscal 1998.

The Corporation believes that its business intelligence products address the current market need for distributing corporate information to the end user's desktop in an extended enterprise environment of corporate intranets, extranets and client/server networks. The Corporation continues to address the emerging market for Web or intranet-based products with the release in the current fiscal year of PowerPlay 6.6, and the launch of the Cognos enterprise BI Platform and in fiscal 1999, the release of Impromptu Web Reports. While the Corporation believes that there is a market opportunity for Web-based decision support solutions, there can be no assurance of the rate or extent of growth of this market, or that the Corporation will be successful in continuing to develop products that will effectively address this market.

Application Development



Product License Revenue

Product license revenue from the Corporation's application development tools, PowerHouse and Axiant, was $16.7 million, $26.5 million, and $24.5 million in fiscal 2000, 1999, and 1998, respectively. Over several of the past fiscal years, the Corporation has experienced a decline in product license revenue in this market which is consistent, in the Corporation's view, with the market trend away from proprietary systems and host-based computing toward industry-standard systems, corporate intranets, extranets, client/server technology, and packaged application products. The Corporation believes the increase during fiscal 1999 was partially the result of expanded use of PowerHouse applications or upgrades to customer computers, and testing of legacy systems to ensure Year 2000 compliance. The Corporation believes that the maximum revenue potential from the activity around Year 2000 compliance occurred during fiscal 1999 and expects that, in the long term, the trend of decreasing product license revenue from these products will continue.

The Corporation's sales and marketing strategy includes multi-tiered channels ranging from a direct sales force to various forms of third-party distributors, resellers, and original equipment manufacturers. In fiscal 2000, the Corporation increased product license revenue derived from third-party channels to $62.2 million from $49.2 million in fiscal 1999, and from $39.6 million in fiscal 1998. The majority of the increase in product license revenue derived from third parties in fiscal 2000 from fiscal 1999 was attributable to the activity in Asia/Pacific and Europe and to a lesser extent activity in North America. The increase in product license revenue derived from third parties in fiscal 1999 from fiscal 1998 was mainly attributable to an increase in activity in North America.

Total product license revenue from third-party channels represented 31% of total product license revenue in each of fiscal 2000, 1999 and 1998.

Within the Corporation's business intelligence market, product license revenue from third-party channels was $57.3 million in fiscal 2000, compared to $42.3 million in fiscal 1999, and $33.0 million in fiscal 1998. Product license revenue within this market, from third-party channels represented 31% of the Corporation's product license revenue in fiscal 2000, compared to 32% in fiscal 1999 and 1998.

The Corporation expects to continue to enhance its combined sales and marketing strategies to further develop the potential within the business intelligence products market. The Corporation expects to continue to utilize a multi-tiered channel strategy, as outlined above. With respect to the marketing strategy, the Corporation intends to continue to form alliances with system integrators, the larger accounting and consulting firms, packaged application providers, and various other strategic partners. In addition, the Corporation plans to continue to utilize marketing and promotional programs to generate awareness of extended enterprise business intelligence solutions and interest in the Corporation's products.

There can be no assurance that increases in total product license revenue will continue to occur, or occur to the same extent to which they have historically occurred.

Product Support Revenue

Product support revenue was $118.1 million, $93.3 million, and $72.8 million in fiscal 2000, 1999, and 1998, respectively. Product support revenue accounted for 31% of the Corporation's total revenue for fiscal 2000 and 1999 and 30% for fiscal 1998. The increase in the dollar amounts was the result of new support contracts from the expansion of the Corporation's customer base, as well as the renewal of existing support contracts. The rate of growth in product support revenue associated with the expansion of the Corporation's customer base exceeds the rate of non-renewals of support contracts.

Total product support revenue from the business intelligence products was $78.8 million, $52.0 million, and $31.9 million in fiscal 2000, 1999, and 1998, respectively and comprised 67%, 56%, and 44% of the total product support revenue in fiscal 2000, 1999, and 1998, respectively. In fiscal 2000, total product support revenue from the business intelligence products increased by 52% from fiscal 1999, and total product support revenue from the application development tools decreased by 5% over the same period. In fiscal 1999, total product support revenue from the business intelligence products increased by 63% from fiscal 1998, and total product support revenue from the application development tools increased by 1% over the same period. Consistent with the discussion in product license revenue, the Corporation believes that, despite the product support revenue growth from the application development tools in fiscal 1999, in the long term, the trend of decreasing revenue from these products will continue.

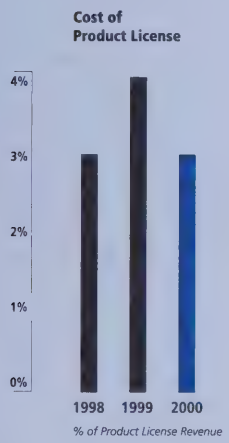
There can be no assurance that increases in total product support revenue will continue to occur, or occur to the same extent to which they have historically occurred.

Services Revenue

Revenue from education, consulting, and other services was $64.3 million, $49.4 million, and $45.2 million in fiscal 2000, 1999, and 1998, respectively. Services revenue accounted for 17%, 16%, and 18% of the Corporation's total revenue for the same time periods. During fiscal 2000 the Corporation began to offer a broader range of consulting and education services in line with the shift in the demand for Web-based products. As a result, during fiscal 2000 the Corporation experienced both an increase in growth of services revenue, and an increase in the percentage of total revenue generated by services. The decline in fiscal 1999 services revenue as a percentage of total revenue was the result of relatively larger increases in both product support and product license revenue.

The increase in services revenue was predominantly the result of an increase in consulting revenue and to a lesser extent, increases in education revenue associated with the business intelligence products, consistent with the trend in product license revenue in this market. Services revenue associated with the business intelligence products contributed approximately 97%, 95%, and 93% to this revenue category in fiscal 2000, 1999, and 1998, respectively.

There can be no assurance that increases in total services revenue will continue to occur, or occur to the same extent to which they have historically occurred.



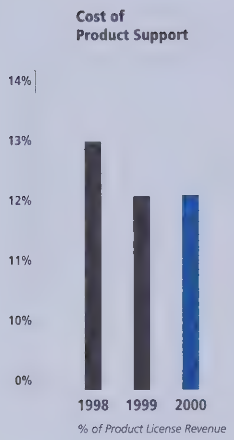
COST OF PRODUCT LICENSE

The cost of product license consists primarily of royalties for technology licensed from third parties and the costs of materials and distribution related to licensed software.

Product license costs in fiscal 2000 were $5.2 million compared to $5.7 million in fiscal 1999, and $3.8 million in fiscal 1998. Product license costs represented 3% of product license revenue for fiscal 2000, compared to 4% and 3% of product license revenue for fiscal 1999 and 1998, respectively.

The decrease, in dollar terms in fiscal 2000 from fiscal 1999 is principally due to decreases in both royalty costs and materials and distribution costs associated with product offerings. The increase in fiscal 1999 from fiscal 1998 was predominantly the result of a relatively larger increase in royalties; manufacturing and distribution costs remained constant between the two years.

COST OF PRODUCT SUPPORT



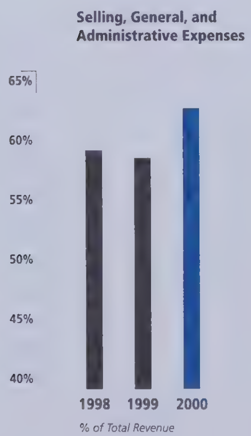
The cost of product support includes the costs associated with resolving customer telephone inquiries and other telesupport activities, royalties in respect of technological support received from third parties, and the cost of materials delivered in connection with enhancement releases.

The cost of product support was $13.8 million, $11.2 million, and $9.7 million in fiscal 2000, 1999, and 1998, respectively. These costs represented 12% of product support revenue for fiscal 2000 and 1999, and 13% for fiscal 1998.

The increase in fiscal 2000 from fiscal 1999 was associated predominantly with increases in customer telesupport costs; enhancement release costs contributed to a lesser extent to the increase. The increase in fiscal 1999 from fiscal 1998 was primarily associated with increases in telesupport costs.

SELLING, GENERAL, AND ADMINISTRATIVE

Selling, general, and administrative expenses were $238.1 million, $172.5 million, and $140.9 million in fiscal 2000, 1999, and 1998, respectively. These costs were 62% of revenue in fiscal 2000 compared to 57% and 58% in fiscal 1999 and 1998.



The increase in the selling, general, and administrative expenses in fiscal 2000 was substantially the result of increases in staffing and related compensation expenses, and to a lesser extent increases in subcontracting, facilities and marketing costs. During fiscal 2000 the Corporation increased its investment in its sales channels to focus on revenue growth and expand global market coverage. The average number of employees within the selling, general, and administrative areas grew by 30% in fiscal 2000 predominantly as the result of additions to sales staff. The increase in the selling, general, and administrative expenses in fiscal 1999 was mainly the result of increased staffing and related compensation expense as the average number of employees within this area grew by approximately 15%. The costs per employee increased 6% in both fiscal 2000 and fiscal 1999.

Foreign exchange rate fluctuations reduced the overall percentage increase in fiscal 2000 over 1999 by approximately one percentage point, whereas they reduced the overall percentage increase in fiscal 1999 over 1998 by approximately three percentage points.

RESEARCH AND DEVELOPMENT

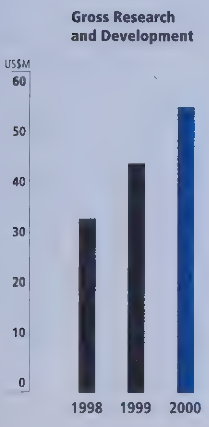
The following table sets out the components of the Corporation's research and development, as well as the percentages of revenue for the periods indicated.

	2000	1999	1998
	($000s)	*($000s)*	*($000s)*
Gross research and development costs	**$54,244**	$42,746	$33,997
Government allowances	**(696)**	(527)	(897)
Amortization of previously capitalized amounts	**–**	55	430
Research and development	**$53,548**	$42,274	$33,530
Percentage of total revenue			
Gross research and development	**14%**	14%	14%
Research and development	**14%**	14%	14%

Gross research and development costs have continued to increase, in dollar terms, over the last several fiscal years but have remained relatively constant as a percentage of total revenue. The growth in both fiscal 2000 and fiscal 1999 was predominantly the result of increases associated with higher staffing levels in this area. The increase in the average number of employees in this area was 26% in fiscal 2000 from fiscal 1999, and was 27% in fiscal 1999 from fiscal 1998. Foreign exchange rate fluctuations improved the overall percentage increase in fiscal 2000 by approximately one percentage point whereas it reduced the overall increase by eight percentage points for fiscal 1999.

Software development costs are expensed as incurred unless they meet generally accepted accounting criteria for deferral and amortization. Software development costs incurred prior to the establishment of technological feasibility do not meet these criteria, and are expensed as incurred. Capitalized costs are amortized over a period not exceeding 36 months. Costs were not deferred in any of fiscal 2000, 1999, or 1998 because either no projects met the criteria for deferral or the period between (i) achieving technological feasibility and (ii) the general availability of the product was short, and the associated costs were immaterial.

The Corporation believes there is a business opportunity for distributing corporate information to the end user's desktop in an extended enterprise environment of corporate intranets, extranets and client/server networks. In earlier years the Corporation addressed this opportunity with the release of Web-based products: PowerPlay Web, Impromptu Web Reports, and Cognos Query (formerly Impromptu Web Query).



During fiscal 2000 the Corporation launched a platform for Enterprise Business Intelligence. This platform, which includes DecisionStream, provides a single user interface or portal to support access to all Cognos business intelligence products in an extended enterprise environment. During fiscal 2000 the Corporation released PowerPlay 6.6, which provides Web managed reporting and analysis functions for intranet, extranet and Internet access to OLAP (online analytical processing) data. Also, during fiscal 2000 the Corporation released Cognos Visualizer, a business management and measurement product that extends the capabilities of PowerPlay and Impromptu with advanced visual reporting and analysis. The Corporation also released new versions of Impromptu Web Reports, DataMerchant™, and Cognos Finance (formerly LEX2000).

The Corporation continues to support its application development tools and to that end released a new version of PowerHouse during fiscal 2000 which enables Web deployment of PowerHouse applications.

During fiscal 2001 the Corporation will invest in research and development of business intelligence solutions, particularly those solutions that support the Corporation's strategy to meet the needs of the extended enterprise customers within the e-business economy. These investments will include the development of e-application packages which include pre-defined data marts, key reports and analysis solutions. The Corporation will continue the development of business-to-business solutions using BI which extend the enterprise to incorporate the supply chain, and the relationship with an enterprise's customers.

ACQUIRED IN-PROCESS TECHNOLOGY

Fiscal 2000

During fiscal 2000 the Corporation completed two acquisitions. Neither the acquisition of Information Tools AG, nor the acquisition of the minority interest in Cognos Far East Pte Limited involved the purchase of acquired in-process technology.

The Corporation acquired Information Tools AG, the Corporation's distributor in Switzerland. The shareholders of Information Tools AG are to receive total consideration of approximately $657,000, of which $458,000 was received in cash during fiscal 2000. The remainder of the consideration ($199,000) is payable equally on the first and second anniversaries of the closing of the transaction. An amount, not to exceed $500,000 could also be paid in contingent consideration. Of that amount, approximately $120,000 will be paid in fiscal 2001 relating to fiscal 2000 results. This amount has been recorded as additional purchase price.

The Corporation purchased the entire outstanding minority interest in the Corporation's subsidiary in Singapore, Cognos Far East Pte Limited. The former minority shareholders of Cognos Far East Pte Limited received approximately $1,688,000 in cash upon completion of the purchase. No further consideration is due to the former minority shareholders of the subsidiary.

Fiscal 1999

The Corporation acquired substantially all the assets of Relational Matters including DecisionStream software. DecisionStream aggregates and integrates large volumes of transaction data with multidimensional data structures. Relational Matters will receive approximately $7,550,000 over three years and 250,980 shares of the Corporation's common stock valued at $1,823,000 over the same time period. The shares, all of which were issued, are being held in escrow by the Corporation and will be released on the second (40%) and third (60%) anniversaries of the closing of the transaction. For valuation purposes, the deferred payments and shares were appropriately discounted. An independent appraisal valued the in-process research and development at $2,400,000. In the opinion of management and the appraiser, the acquired in-process research and development had not yet reached technological feasibility and had no alternative future uses. Accordingly, the Corporation recorded a special charge of $2,400,000 ($0.02 per share on a diluted basis) in the fourth quarter ended February 28, 1999, to write off the acquired in-process technology.

The Corporation acquired LEX2000 Inc., a developer of financial data mart and reporting software, for a combination of cash and the Corporation's common stock. The shareholders of LEX2000 Inc. will receive approximately $7,444,000 over three years and 252,118 shares of the Corporation's common stock valued at $1,940,000 over the same time period. Approximately 14,200 shares were issued at closing; the remainder, all of which were issued, are being held in escrow by the Corporation and will be released equally on the second (50%) and third (50%) anniversaries of the closing of the transaction. For valuation purposes, the deferred payments and shares were appropriately discounted. An independent appraisal valued the in-process research and development at $1,400,000. In the opinion of management and the appraiser, the acquired in-process research and development had not yet reached technological feasibility and had no alternative future uses. Accordingly, the Corporation recorded a special charge of $1,400,000 ($0.02 per share on a diluted basis) in the fourth quarter ended February 28, 1999, to write off the acquired in-process technology.

Fiscal 1998

During the first quarter ended May 31, 1997, the Corporation completed the acquisition of Right Information Systems Limited (RIS) of London, England. RIS was the provider of 4Thought™, business modeling and forecasting software. The shareholders of RIS received $4,500,000 and 180,000 shares of the Corporation's common stock, valued at $1,607,000. These shares are being held in escrow by the Corporation until April 9, 2000. An independent appraisal valued the in-process research and development at $5,000,000. In the opinion of management and the appraiser, the acquired in-process research and development had not yet reached technological feasibility and had no alternative future uses. Accordingly, the Corporation recorded a special charge of $5,000,000 ($0.05 per share on a diluted basis) in the first quarter ended May 31, 1997, to write off the acquired in-process technology.

During the third quarter ended November 30, 1997, the Corporation completed the acquisition of Interweave Software, Inc. (Interweave) of Santa Clara, California, U.S.A. Interweave was the developer and marketer of the Interweave software product line, which allows information technology organizations to deploy intranet- and extranet-based business intelligence applications more broadly within and across enterprises. The acquisition agreement called for the Corporation to pay approximately $12,415,000 cash to the shareholders of Interweave, most of which was paid upon completion of the acquisition. An independent appraisal valued the in-process research and development at $13,000,000. In the opinion of management and the appraiser, the acquired in-process research and development had not yet reached technological feasibility and had no alternative future uses. Accordingly, the Corporation recorded a special charge of $13,000,000 ($0.14 per share on a diluted basis) in the third quarter ended November 30, 1997, to write off the acquired in-process technology.

The acquisitions in fiscal 2000, 1999 and 1998 have been accounted for using the purchase method. The results of operations of all acquired companies prior to their respective dates of acquisition were not material. The results of all acquired companies have been combined with those of the Corporation since their respective dates of acquisition. (See Note 5 of the Notes to the Consolidated Financial Statements.)

INTEREST INCOME AND EXPENSE

Interest income is earned on the Corporation's cash, cash equivalents, and short-term investments, and interest expense relates primarily to the interest on the Corporation's mortgage and capital leases.

Net interest income was $6.7 million, $5.9 million, and $4.9 million in fiscal 2000, 1999, and 1998, respectively. The increase during fiscal 2000 was the result of a significant increase in the average size of the investment portfolio, and to a lesser extent the impact of favorable exchange rate fluctuations. This increase was offset by a slight decrease in the average effective interest rates during fiscal 2000. The increase in fiscal 1999 was primarily attributable to higher average effective interest rates, and to a lesser extent, a larger average portfolio, which was partially offset by the impact of adverse exchange rate fluctuations.

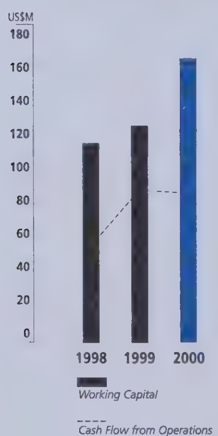
TAX EXPENSE

The Corporation's tax rate is affected by the relative profitability of its operations in various geographic regions. In fiscal 2000 the Corporation recorded an income tax provision of $22.9 million on $81.7 million of pre-tax income. This tax expense represents an effective income tax rate of 28% for the year as compared to 18% for 1999. In fiscal 1999 the Corporation recorded an income tax provision of $13.1 million on $75.4 million of pre-tax income, excluding the $3.8 million write-off of acquired in-process technology, some of which was not tax deductible. This tax expense represented an effective income tax rate of 18% for the year, excluding the aforementioned non-deductible items, which was consistent with the effective tax rate for fiscal 1998. The rate for fiscal 2000 has increased from the prior year as the Corporation recognized the benefits of previously unrecorded tax benefits during fiscal 1999 and 1998. (See Note 9 of the Notes to the Consolidated Financial Statements.)

LIQUIDITY AND CAPITAL RESOURCES

As of February 29, 2000, the Corporation held $196.7 million in cash, cash equivalents, and short-term investments, an increase of $47.0 million from February 28, 1999. In addition, the Corporation has arranged an unsecured credit facility that includes an operating line and foreign exchange conversion facilities. The operating line permits the Corporation to borrow funds or issue letters of credit or guarantee up to Cdn$15.0 (US$10.4) million, subject to certain covenants. As of February 29, 2000, there were no direct borrowings under this operating line. As discussed further below, the Corporation has foreign exchange conversion facilities that allow it to hold foreign exchange contracts of approximately Cdn$130.0 (US$89.7) million outstanding at any one time.

Working Capital and Cash Flow from Operations



As of February 29, 2000, the Corporation had a total of $4.9 million of long-term liabilities (including the current portion of long-term debt), consisting of a mortgage, other long-term liabilities, and certain capital leases. As of February 29, 2000, working capital was $166.5 million, an increase of $43.1 million from February 28, 1999, primarily because of higher levels of cash, accounts receivable, and short-term investments, which were partially offset by increases in deferred revenue and other current liabilities. Working capital increased in fiscal 2000 even though the Corporation used $26.0 million for share repurchases and $2.1 million for acquisitions during the year.

Cash provided by operating activities (after changes in non-cash working capital items) for fiscal 2000 was $83.2 million, a decrease of $1.4 million compared to the prior fiscal year. This fluctuation was due to a net increase in non-cash working capital as compared to a net decrease in non-cash working capital during fiscal 1999, which was offset by an increase in net income after adjustments for depreciation, amortization and other non-cash items.

Cash used in investing activities was $37.7 million for fiscal 2000, a decrease in investment of $11.9 million compared to the prior fiscal year. The majority of the fluctuation stems from a decrease in net investment in short-term investments and decreases in acquisition costs; these decreases were offset by an increase in fixed asset additions. The increase in fixed asset additions was primarily the result of computer equipment and software purchases. Further, during fiscal 2000 the Corporation began the construction of a second building on the site of its corporate headquarters in Ottawa. The Corporation has invested approximately $3.4 million in the current year and it is anticipated that costs will total $21 million when the construction is substantially complete in fiscal 2001. (See Note 7 of the Notes to the Consolidated Financial Statements.) During fiscal 1999, the Corporation purchased the remaining interest in its head office building in Ottawa, Canada for approximately $4.8 million. In fiscal 2000, the Corporation spent $7.4 million related to the activity in short-term investments compared to $19.2 million (both net of maturities) in fiscal 1999. In addition, the Corporation spent $2.1 million in fiscal 2000 on acquisitions, compared to $9.2 million in fiscal 1999. (See Note 5 of the Notes to the Consolidated Financial Statements.)

Cash used in financing activities was $9.1 million for fiscal 2000, compared to $28.7 million in fiscal 1999. The Corporation's financing activities for both fiscal years were centered around the repurchase of its own shares in the open market, and the issuance of shares pursuant to the Corporation's stock purchase plan and the exercise of stock options. During fiscal 2000, the Corporation repurchased 2,286,000 shares at a cost of $26.0 million, compared to 3,006,000 shares repurchased at a cost of $34.1 million in fiscal 1999. Offsetting this activity, the Corporation issued 2,093,000 common shares for consideration of $16.5 million during fiscal 2000, compared to 1,146,000 shares for consideration of $5.0 million in fiscal 1999. The issuance of shares in both periods was pursuant to the Corporation's stock purchase plan and the exercise of stock options by employees, officers, and directors. In fiscal 1999, the Corporation also issued 503,000 shares for a value of $3.8 million in conjunction with the acquisition of Relational Matters and LEX2000 Inc. In fiscal 1998 the Corporation issued 180,000 shares for a value of $1.6 million in conjunction with the acquisition of RIS. (See Note 5 of the Notes to the Consolidated Financial Statements.)

The share repurchases made in the past three fiscal years were part of distinct open market share repurchase programs through the Nasdaq National Market. The share repurchases made in fiscal 2000 were part of two open market share repurchase programs. The program adopted

in October 1998 expired on October 8, 1999. Under this program the Corporation repurchased 3,161,800 of its shares for $35.4 million; all repurchased shares were cancelled. In October 1999, the Corporation adopted a new program that will enable it to purchase up to 4,200,000 common shares (not more than 5% of those issued and outstanding) between October 9, 1999 and October 8, 2000. Under the current program the Corporation has repurchased 100,000 shares for $1.3 million during fiscal 2000; all repurchased shares were cancelled. This program does not commit the Corporation to make any share repurchases. Purchases will be made on The Nasdaq Stock Market at prevailing open market prices and paid out of general corporate funds. All repurchased shares will be cancelled. A copy of the *Notice of Intention to Make an Issuer Bid* is available from the Corporate Secretary. (See Note 10 of the Notes to the Consolidated Financial Statements.)

The Corporation's policy with respect to foreign currency exposure is to manage its financial exposure to certain foreign exchange fluctuations with the objective of neutralizing some of the impact of foreign currency exchange movements. To achieve this objective, the Corporation enters into foreign exchange forward contracts to hedge portions of the net investment in its various subsidiaries. The Corporation enters into these foreign exchange forward contracts with major Canadian chartered banks, and therefore does not anticipate non-performance by these counterparties. The amount of the exposure on account of any non-performance is restricted to the unrealized gains in such contracts. As of February 29, 2000, the Corporation had foreign exchange forward contracts, with maturity dates ranging from March 30, 2000 to May 25, 2000, to exchange various foreign currencies in the amount of $6.2 million.

The Corporation has never declared or paid any cash dividends on its common shares. The Corporation's current policy is to retain its earnings to finance expansion and to develop, license, and acquire new software products, and to otherwise reinvest in the Corporation.

The Corporation anticipates that through fiscal 2001 its operations will be financed by current cash balances and funds from operations. If the Corporation were to require funds in excess of its current cash position to finance its longer-term operations, the Corporation would expect to obtain such funds from, one or a combination of, the expansion of its existing credit facilities, or from public or private sales of equity or debt securities.

Inflation has not had a significant impact on the Corporation's results of operations.

YEAR 2000 PROJECT

Beginning in fiscal 1998 the Corporation commenced an intensive effort to identify and categorize potential problem areas and develop action plans with respect to the Year 2000. This process involved an examination of its products, and its internal systems, hardware and software, as well as contacting its suppliers to obtain assurances regarding their Year 2000 readiness. The total project costs for both the Corporation's software products and its internal systems and processes were $2.4 million, of which approximately $0.1 million were capitalized. Of the total project costs, $0.7 million, were incurred during fiscal 2000, and $1.7 million during fiscal 1999.

EUROPEAN ECONOMIC AND MONETARY UNION

The introduction of the euro currency on January 1, 1999 has associated with it many potential implications for businesses operating in Europe including, but not limited to, products, information technology, pricing, currency exchange rate risk and derivatives exposure, continuity of material contracts, and potential tax consequences.

The Corporation is preparing for this new euro currency, which is scheduled to be introduced in stages over the course of a 3½ year transition period. The Corporation believes the introduction of the euro will have limited longer-term implications on the Corporation's business. The Corporation is preparing for the introduction of the euro in the area of its internal processes and systems through identifying, modifying, and testing these processes and systems to handle transactions involving the euro in accordance with the regulations. The Corporation's financial application systems represent the most significant internal systems that will be affected by the introduction of the euro. The Corporation upgraded these systems to a version that enables it, together with certain process changes and modifications provided by the application vendor to its supported customers, to handle the initial requirements for transactions involving the euro. The Corporation

continues to identify and, where necessary, modify its systems and processes in order to handle the various stages of the euro implementation. The Corporation is continuing to monitor its pricing in Europe, giving consideration to the introduction of the euro.

The Corporation believes that the costs relating to the conversion of its internal systems and processes will not have a material adverse effect on its business, results of operations, or financial condition.

MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in interest rates and foreign currency exchange rates. We do not hold or issue financial instruments for trading purposes.

Further discussion of our investment and foreign exchange policies can be found in Notes 1 and 8 of the Notes to the Consolidated Financial Statements.

INTEREST RATE RISK

Our exposure to market rate risk for changes in interest rates relates primarily to our investment portfolio. The investment of cash is regulated by our investment policy of which the primary objective is security of principal. Among other selection criteria, the investment policy states that the term to maturity of investments cannot exceed one year in length. We do not use derivative financial instruments in our investment portfolio.

Interest income on our cash, cash equivalents, and short-term investments is subject to interest rate fluctuations, but we believe that the impact of these fluctuations does not have a material effect on our financial position due to the short-term nature of these financial instruments. The amount of our long-term debt is immaterial. Our interest income and interest expense are most sensitive to the general level of interest rates in Canada and the United States. Sensitivity analysis is used to measure our interest rate risk. For the fiscal year ending February 29, 2000, a 100 basis-point adverse change in interest rates would not have had a material effect on our consolidated financial position, earnings, or cash flows.

FOREIGN CURRENCY RISK

We operate internationally; accordingly, a substantial portion of our financial instruments are held in currencies other than the United States dollar. Our policy with respect to foreign currency exposure is to manage financial exposure to certain foreign exchange fluctuations with the objective of neutralizing some of the impact of foreign currency exchange movements. To achieve this objective, we enter into foreign exchange forward contracts to hedge portions of the net investment in various subsidiaries. The forward contracts are typically between the United States dollar and the British pound, the German mark, and the Australian dollar. Sensitivity analysis is used to measure our foreign currency exchange rate risk. As of February 29, 2000, a 10% adverse change in foreign exchange rates versus the U.S. dollar would not have had a material effect on our reported cash, cash equivalents, and short-term investments.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

We make certain statements in this report that constitute forward-looking statements. These statements include, but are not limited to, statements relating to our expectations concerning future revenues and earnings, including future rates of growth, from the licensing of our business intelligence and application development products and related product support and services, and relating to the sufficiency of capital to meet our working capital and capital expenditure requirements. Forward-looking statements are subject to risks and uncertainties that may cause future results to differ materially from those expected. There can be no guarantee that future results will turn out as expected. Factors that may cause such differences include, but are not limited to, the factors discussed below. Additional risks and uncertainties that we are unaware of or currently deem immaterial may also adversely affect our business operations.

OUR GROWTH MAY NOT CONTINUE AT HISTORICAL GROWTH RATES.

Although we have experienced significant license revenue growth with respect to our business intelligence products over the past few fiscal years, we cannot assure you that we will continue to grow. If we do grow, we cannot assure you that we will be able to maintain the historical rate or extent of such growth in the future. Despite product license revenue growth from our application development tools during fiscal 1999, we have been experiencing a decline in product license revenue from our application development tools over the past several years. In the long term, we expect declining revenues in these more established proprietary markets for our application development tools.

OUR QUARTERLY AND ANNUAL OPERATING RESULTS ARE SUBJECT TO FLUCTUATIONS, WHICH MAY CAUSE OUR STOCK PRICE TO FLUCTUATE OR DECLINE.

Historically, our quarterly operating results have varied from quarter to quarter, and we anticipate this pattern to continue. We typically realize a larger percentage of our annual revenue and earnings in the fourth quarter of each fiscal year, and lower revenue and earnings in the first quarter of the next fiscal year. Our quarterly operating results may be adversely affected by a wide variety of factors, including:

- our ability to maintain revenue growth at current levels or anticipate a decline in revenue from any of our products;
- changes in product mix and our ability to anticipate changes in shipment patterns;
- our ability to identify and develop new technologies and to commercialize those technologies into new products;
- our ability to accurately select appropriate business models and strategies;
- our ability to make appropriate decisions which will position us to achieve further growth;
- our ability to identify, hire, train, motivate, and retain highly qualified personnel, and to achieve targeted productivity levels;
- our ability to identify, develop, deliver, and introduce in a timely manner new and enhanced versions of our products which anticipate market demand and address customer needs;
- market acceptance of business intelligence software generally and of new and enhanced versions of our products in particular;
- timing of new product announcements;
- our ability to establish and maintain a competitive advantage;
- changes in our pricing policies or those of our competitors and other competitive pressures on selling prices;
- size, timing, and execution of customer orders and shipments, including delays, deferrals, or cancellations of customer orders;
- number and significance of product enhancements and new product and technology announcements by our competitors;
- our reliance on third party distribution channels as part of our sales and marketing strategy;
- the timing and provision of pricing protections and exchanges from certain distributors;
- changes in foreign currency exchange rates and issues relating to the conversion to the euro; and
- our ability to enforce our intellectual property rights.

As a result of the foregoing and other factors, we may experience material fluctuations in future quarterly and annual operating results. These fluctuations could materially and adversely affect our stock price, as well as, our business, results of operations, and financial condition.

THE SOFTWARE MARKETS THAT WE TARGET ARE SUBJECT TO RAPID TECHNOLOGICAL CHANGE AND NEW PRODUCT INTRODUCTIONS AND ENHANCEMENTS.

The markets for our products are characterized by:

- rapid and significant technological change;
- frequent new product introductions and enhancements;
- changing customer demands; and
- evolving industry standards.

We believe that our future success depends principally on our ability to continue to support a number of popular operating systems and databases; our ability to maintain and improve our product line; and our ability to rapidly develop new products that achieve market acceptance, maintain technological competitiveness, and meet an expanding range of customer requirements. If we are unable to achieve these factors, we may lose our competitive position. Successful product development and introduction depend upon a number of factors, including new product selection, timely and efficient completion of product design, product performance at customer locations, and whether our competitors develop similar products. In addition, the introduction of products embodying new technologies can quickly make existing products obsolete and unmarketable. We cannot assure you that our products will remain competitive, respond to market demands and developments and new industry standards, and not become obsolete. In particular, we cannot assure you that we have developed the appropriate products to respond effectively to the growing market interest in Web-based software, or if so, whether we can continue to bring those products to market in a timely and cost-effective basis and distribute those products in the face of competition from similar products developed by existing or new competitors. We cannot assure you that market interest in Web-based software will continue at the same rate, or that alternative methods of deploying software will not become more popular. If we are unable to identify a shift in the market demand quickly enough, we may not be able to develop products to meet those new demands, or bring them to market in a timely way.

WE RELY ON PARTNERS AND OTHER DISTRIBUTION CHANNELS TO MARKET AND DISTRIBUTE OUR PRODUCTS AND ANY FAILURE OF THESE PARTIES TO DO SO, COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

Our sales and marketing strategy includes multi-tiered channels ranging from a direct sales force to various forms of third-party distributors, resellers, and original equipment manufacturers. We have developed a number of these relationships and intend to continue to develop new channel partner relationships. Our inability to attract important and effective channel partners, or these partners' inability to penetrate their respective market segments, or the loss of any of our channel partners as a result of competitive products offered by other companies or products developed internally by these channel partners or otherwise, could materially adversely affect our business, results of operations, and financial condition.

UNAUTHORIZED USED OF OUR INTELLECTUAL PROPERTY COULD DAMAGE OUR BUSINESS.

Our success depends in part on our ability to protect our proprietary rights in our intellectual property. We rely on certain intellectual property protections, including contractual provisions, patents, copyright, trademark and trade secret laws, to preserve our intellectual property rights. Despite our precautions, it may be possible for third parties to obtain and use our intellectual property without our authorization. Policing unauthorized use of software is difficult and some foreign laws do not protect proprietary rights to the same extent as Canada or the United States.

To protect our intellectual property, we may become involved in litigation, which could result in substantial expenses and materially disrupt the conduct of our business. Third parties could assert that our technology infringes their proprietary rights, which could adversely affect our ability to distribute our products and result in substantial litigation expenses and monetary liability. Any invalidation of our intellectual property rights or lengthy and expensive defense of those rights could have a material adverse affect on our business, results of operations, and financial condition.

THE LOSS OF OUR RIGHTS TO USE SOFTWARE LICENSED TO US BY THIRD PARTIES COULD HARM OUR BUSINESS.

In order to provide a complete solution, we license certain technologies used in our products from third parties, generally on a non-exclusive basis. The termination of such licenses, or the failure of the third-party licensors to adequately maintain or update their products, could delay our ability to ship certain of our products while we seek to implement alternative technology offered by other sources. In

addition, alternative technology may not be available on commercially reasonable terms. In the future, it may be necessary or desirable to obtain other third-party technology licenses relating to one or more of our products or relating to current or future technologies to enhance our product offerings. We cannot assure you that we will be able to obtain licensing rights to the needed technology on commercially reasonable terms, if at all.

WE FACE INTENSE COMPETITION AND COULD BE AFFECTED BY THE ACTIONS OF OUR COMPETITORS.

We face substantial competition throughout the world, primarily from software companies located in the United States, Europe, and Canada. Some of our competitors have been in business longer than us and have substantially greater financial and other resources with which to pursue research and development, manufacturing, marketing, and distribution of their products. We expect our current competitors and potentially new competitors to continue to improve the performance of their current products and to introduce new products or new technologies that provide improved cost of ownership and performance characteristics. New product introductions by our competitors could cause a decline in sales, a reduction in the sales price, or a loss of market acceptance of our existing products. To the extent that we are unable to effectively compete against our current and future competitors, our ability to sell products could be harmed and our market share reduced. Any erosion of our competitiveness could have a material adverse effect on our business, results of operations, and financial condition.

WE HAVE MULTINATIONAL OPERATIONS THAT ARE SUBJECT TO RISKS INHERENT IN INTERNATIONAL OPERATIONS.

We derive a significant portion of our total revenues from international sales. International sales are subject to significant risks, including:

- unexpected changes in legal and regulatory requirements and policy changes affecting our markets;
- changes in tariffs and other trade barriers;
- fluctuations in currency exchange rates;
- political and economic instability;
- longer payment cycles and other difficulties in accounts receivable collection;
- difficulties in managing distributors and representatives;
- difficulties in staffing and managing foreign operations;
- difficulties in protecting our intellectual property; and
- potentially adverse tax consequences.

Each of these factors could adversely affect our business, results of operations, and financial condition.

OUR EXECUTIVE MANAGEMENT AND OTHER KEY PERSONNEL ARE ESSENTIAL TO OUR BUSINESS; WE MAY NOT BE ABLE TO RECRUIT AND RETAIN THE PERSONNEL WE NEED TO SUCCEED.

Our performance is substantially dependent on the performance of our key technical and management personnel. The loss of the services of any of these persons could have a material adverse effect on our business, results of operations, and financial condition. Our success is highly dependent on our continuing ability to identify, hire, train, motivate, and retain highly qualified management, technical, sales, and marketing personnel. Competition for such personnel is intense, and we cannot assure you that we will be able to attract, assimilate, or retain highly qualified technical and managerial personnel in the future. Our inability to attract and retain the necessary management, technical, sales, and marketing personnel could have a material adverse effect on our business, results of operations, and financial condition.

PURSUING AND COMPLETING RECENT AND POTENTIAL ACQUISITIONS COULD DIVERT MANAGEMENT ATTENTION AND FINANCIAL RESOURCES AND MAY NOT PRODUCE THE DESIRED BUSINESS RESULTS.

We completed the acquisitions of Information Tools AG, and the outstanding minority interest in Cognos Far East Pte Limited during fiscal 2000. In fiscal 1999, we acquired Relational Matters and LEX2000 Inc., and in fiscal 1998, Right Information Systems Limited and Interweave Software, Inc. We may in turn engage in additional selective acquisitions of other products or businesses that we believe are complementary to ours. We cannot assure you that we will be able to identify additional suitable acquisition candidates available for sale at reasonable prices, consummate any acquisition, or successfully integrate any acquired product or business into our operations. Further, acquisitions may involve a number of special risks, including:

- diversion of management's attention;
- disruption to our ongoing business;
- failure to retain key acquired personnel;
- difficulties in assimilating acquired operations, technologies, products, and personnel;
- unanticipated expenses, events, or circumstances;
- assumption of legal and other undisclosed liabilities; and
- the ability to appropriately value the acquired in-process research and development.

If we do not successfully address these risks or any other problems encountered in connection with an acquisition, the acquisition could have a material adverse effect on our business, results of operations, and financial condition. Problems with an acquired business could have a material adverse effect on our performance as a whole. In addition, if we proceed with an acquisition, our available cash may be used to complete the transaction, or shares may be issued which could cause a dilution to existing shareholders.

OUR STOCK PRICE WILL FLUCTUATE.

The market price of our common shares may be volatile and could be subject to wide fluctuations due to a number of factors, including:

- actual or anticipated fluctuations in our results of operations;
- announcements of technological innovations or new products by us or our competitors;
- changes in estimates of our future results of operations by securities analysts;
- general industry changes in the business intelligence tools or client/server development tools markets; or
- other events or factors.

In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many high technology companies and that often have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the software industry specifically, may adversely affect the market price of our common shares. In the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. Similar litigation may occur in the future with respect to us, which could result in substantial costs, divert management's attention and other company resources, and have a material adverse effect upon our business, results of operations, and financial condition.

Quarterly Results

The following table sets out selected unaudited consolidated financial information for each quarter in fiscal 1999 and fiscal 2000.

On April 6, 2000, subsequent to year-end, the Board of Directors of the Corporation authorized a two-for-one stock split, effected in the form of a stock dividend, payable on or about April 27, 2000 to shareholders of record at the close of business on April 20, 2000. All historic consolidated results have been restated for the split.

				FISCAL 1999				**FISCAL 2000**
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
					($000s, except per share amounts, U.S. GAAP)			
Revenue	$67,309	$70,583	$76,308	$86,925	**$81,645**	**$88,128**	**$97,753**	**$118,114**
Operating expenses								
Cost of product license	942	1,137	1,354	2,305	**1,054**	**1,001**	**1,456**	**1,724**
Cost of product support	2,408	2,793	2,968	2,997	**3,095**	**3,336**	**3,608**	**3,719**
Selling, general, and administrative	41,706	40,708	43,355	46,713	**51,808**	**54,593**	**61,513**	**70,233**
Research and development	9,946	10,235	10,863	11,230	**12,197**	**12,845**	**13,574**	**14,932**
Acquired in-process technology	–	–	–	3,800	**–**	**–**	**–**	**–**
Total operating expenses	55,002	54,873	58,540	67,045	**68,154**	**71,775**	**80,151**	**90,608**
Operating income	$12,307	$15,710	$17,768	$19,880	**$13,491**	**$16,353**	**$17,602**	**$ 27,506**
Net income	$11,276	$14,122	$15,855	$17,181	**$10,865**	**$12,835**	**$13,851**	**$ 21,264**
Net income per share								
Basic	$0.13	$0.16	$0.18	$0.20	**$0.13**	**$0.15**	**$0.16**	**$0.25**
Diluted	$0.12	$0.16	$0.18	$0.19	**$0.12**	**$0.15**	**$0.16**	**$0.24**

The Corporation's sales cycle typically ranges from a few days up to twelve months, depending on factors such as the size of the transaction, the product involved, the length of the customer relationship, the timing of new product introductions by the Corporation and others, the level of sales management activity, and general economic conditions. Delays in closing product licensing transactions at or near the end of any quarter may have a materially adverse effect on the financial results for that quarter. While the Corporation takes steps to minimize the impact of such delays, there can be no assurance that such delays will not occur. See Certain Factors That May Affect Future Results.

Report of Management

The Corporation's management is responsible for preparing the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States. In preparing these consolidated financial statements, management selects appropriate accounting policies and uses its judgment and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

The Corporation maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the Corporation's policies for doing business. This system is supported by written policies and procedures for key business activities; the hiring of qualified, competent staff; and by a continuous planning and monitoring program.

Ernst & Young LLP, the independent auditors appointed by the shareholders, have been engaged to conduct an examination of the consolidated financial statements in accordance with generally accepted auditing standards, and have expressed their opinion on these statements. During the course of their audit, Ernst & Young LLP reviewed the Corporation's system of internal controls to the extent necessary to render their opinion on the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee; all members are outside Directors. The Committee meets four times annually to review audited and unaudited financial information prior to its public release. The Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the external auditors. Ernst & Young LLP has full and free access to the Audit Committee.

Management acknowledges its responsibility to provide financial information that is representative of the Corporation's operations, is consistent and reliable, and is relevant for the informed evaluation of the Corporation's activities.

James M. Tory
Chairman

Ron Zambonini
President and
Chief Executive Officer

Donnie M. Moore
Senior Vice President,
Finance & Administration,
and Chief Financial Officer

March 30, 2000
[except Note 15, as to which
the date is April 6, 2000]

Auditors' Report

To the Board of Directors and Shareholders of Cognos Incorporated:

We have audited the consolidated balance sheets of Cognos Incorporated as at February 29, 2000 and February 28, 1999 and the consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended February 29, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at February 29, 2000 and February 28, 1999, and the results of its operations and its cash flows for each of the years in the three-year period ended February 29, 2000, in accordance with accounting principles generally accepted in the United States of America.

On March 30, 2000, we reported separately to the Board of Directors and Shareholders of Cognos Incorporated on financial statements for the same periods, prepared in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Ottawa, Canada
March 30, 2000
[except Note 15, as to which
the date is April 6, 2000]

Ernst & Young LLP
Chartered Accountants

Consolidated Statements of Income

(US$000s except share amounts, U.S. GAAP)

			YEARS ENDED THE LAST DAY OF FEBRUARY	
	Note	**2000**	1999	1998
Revenue				
Product license		**$203,299**	$158,393	$126,820
Product support		**118,061**	93,311	72,832
Services		**64,280**	49,421	45,182
Total revenue		**385,640**	301,125	244,834
Operating expenses				
Cost of product license		**5,235**	5,738	3,828
Cost of product support		**13,758**	11,166	9,694
Selling, general, and administrative		**238,147**	172,482	140,882
Research and development		**53,548**	42,274	33,530
Acquired in-process technology	5	**–**	3,800	18,000
Total operating expenses		**310,688**	235,460	205,934
Operating income		**74,952**	65,665	38,900
Interest expense	6	**(718)**	(527)	(481)
Interest income		**7,454**	6,430	5,340
Income before taxes		**81,688**	71,568	43,759
Income tax provision	9	**22,873**	13,134	11,117
Net income		**$ 58,815**	$ 58,434	$ 32,642
Net income per share	10, 15			
Basic		**$0.68**	$0.67	$0.37
Diluted		**$0.67**	$0.66	$0.36
Weighted average number of shares (000s)	10, 15			
Basic		**85,972**	87,416	88,414
Diluted		**88,100**	88,940	91,544

(see accompanying notes)

Consolidated Balance Sheets

(US$000s, U.S. GAAP)

	Note	FEBRUARY 29, 2000	FEBRUARY 28,1999
Assets			
Current assets			
Cash and cash equivalents	8	**$132,435**	$ 93,617
Short-term investments	8	**64,284**	56,074
Accounts receivable	2	**107,823**	76,876
Inventories		**806**	807
Prepaid expenses		**7,840**	6,388
		313,188	233,762
Fixed assets	3	**44,835**	30,164
Intangible assets	4	**21,863**	25,203
		$379,886	$289,129
Liabilities			
Current liabilities			
Accounts payable		**$ 22,908**	$ 18,960
Accrued charges		**17,540**	13,148
Salaries, commissions, and related items		**24,024**	19,656
Income taxes payable		**3,548**	7,290
Current portion of long-term debt	6	**2,176**	123
Deferred revenue		**76,537**	51,242
		146,733	110,419
Long-term debt	6	**–**	2,489
Long-term liabilities	5	**2,699**	5,820
Deferred income taxes	9	**15,150**	7,787
		164,582	126,515
Commitments and Contingencies	7		
Stockholders' Equity			
Capital stock			
Common shares (2000 – 86,657,578; 1999 – 86,850,568)	10, 15	**106,936**	91,985
Retained earnings		**114,601**	79,341
Other accumulated comprehensive items		**(6,233)**	(8,712)
		215,304	162,614
		$379,886	$289,129

(see accompanying notes)

On behalf of the Board:

Douglas C. Cameron
Director

James M. Tory
Chairman

Consolidated Statements of Stockholders' Equity

(US$000s except share amounts, U.S. GAAP)

	Common Stock		Retained	Other Accumulated	
	Shares (000s)	Amount	Earnings	Comprehensive Items	Total
Balances, February 28, 1997	87,178	$ 74,739	$ 46,122	$(4,949)	$115,912
Issuance of stock					
Stock option plans	3,316	8,557			8,557
Stock purchase plans	74	776			776
Business acquisitions	180	1,607			1,607
Repurchase of shares	(2,540)	(2,386)	(26,725)		(29,111)
Income tax effect related to stock options		2,425			2,425
	88,208	85,718	19,397	(4,949)	100,166
Net income			32,642		32,642
Other comprehensive items					
Foreign currency translation adjustments				(1,803)	(1,803)
Comprehensive income			32,642	(1,803)	30,839
Balances, February 28, 1998	88,208	$ 85,718	$ 52,039	$(6,752)	$131,005
Issuance of stock					
Stock option plans	1,054	4,141			4,141
Stock purchase plans	92	846			846
Business acquisitions	503	3,763			3,763
Repurchase of shares	(3,006)	(3,005)	(31,132)		(34,137)
Income tax effect related to stock options		522			522
	86,851	91,985	20,907	(6,752)	106,140
Net income			58,434		58,434
Other comprehensive items					
Foreign currency translation adjustments				(1,960)	(1,960)
Comprehensive income			58,434	(1,960)	56,474
Balances, February 28, 1999	86,851	$ 91,985	$ 79,341	$(8,712)	$162,614
Issuance of stock					
Stock option plans	**1,973**	**15,420**			**15,420**
Stock purchase plans	**120**	**1,095**			**1,095**
Repurchase of shares	**(2,286)**	**(2,458)**	**(23,555)**		**(26,013)**
Income tax effect related to stock options	**–**	**894**			**894**
	86,658	**106,936**	**55,786**	**(8,712)**	**154,010**
Net income			**58,815**		**58,815**
Other comprehensive items					
Foreign currency translation adjustments				**2,479**	**2,479**
Comprehensive income			**58,815**	**2,479**	**61,294**
Balances, February 29, 2000	**86,658**	**$106,936**	**$114,601**	**$(6,233)**	**$215,304**

(see accompanying notes)

Consolidated Statements of Cash Flows

(US$000s, U.S. GAAP)

		YEARS ENDED THE LAST DAY OF FEBRUARY	
	2000	1999	1998
Cash provided by (used in) operating activities			
Net income	**$ 58,815**	$ 58,434	$ 32,642
Non-cash items			
Depreciation and amortization	**19,590**	12,145	9,754
Write-off of acquired in-process technology	**–**	3,800	18,000
Deferred income taxes	**7,165**	(1,984)	543
Loss on disposal of fixed assets	**148**	185	403
	85,718	72,580	61,342
Change in non-cash working capital			
Increase in accounts receivable	**(32,818)**	(12,805)	(17,135)
Decrease (increase) in inventories	**31**	(267)	91
Increase in prepaid expenses	**(1,328)**	(2,852)	(837)
Increase in accounts payable	**3,930**	3,526	3,571
Increase in accrued charges	**1,004**	2,568	300
Increase in salaries, commissions, and related items	**4,394**	5,806	2,948
Increase (decrease) in income taxes payable	**(3,993)**	5,624	(2,603)
Increase in deferred revenue	**26,280**	10,438	8,208
	83,218	84,618	55,885
Cash provided by (used in) investing activities			
Maturity of short-term investments	**138,796**	96,860	131,340
Purchase of short-term investments	**(146,238)**	(116,093)	(151,141)
Acquisition costs	**(2,146)**	(9,174)	(16,915)
Additions to fixed assets	**(28,096)**	(21,147)	(12,068)
Proceeds from the sale of fixed assets	**24**	12	45
	(37,660)	(49,542)	(48,739)
Cash provided by (used in) financing activities			
Issue of common shares	**17,409**	5,509	11,758
Repurchase of shares	**(26,013)**	(34,137)	(29,111)
Repayment of long-term debt	**(467)**	(107)	(92)
	(9,071)	(28,735)	(17,445)
Effect of exchange rate changes on cash	**2,331**	(2,338)	(1,240)
Net increase (decrease) in cash and cash equivalents	**38,818**	4,003	(11,539)
Cash and cash equivalents, beginning of period	**93,617**	89,614	101,153
Cash and cash equivalents, end of period	**132,435**	93,617	89,614
Short-term investments, end of period	**64,284**	56,074	36,712
Cash, cash equivalents, and short-term investments, end of period	**$196,719**	$149,691	$126,326

(see accompanying notes)

Notes to the Consolidated Financial Statements

1 _SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Corporation develops, markets, and supports computer software products for data access, exploring, reporting, and analysis, and for application development on a wide range of open and proprietary platforms. The Corporation markets and supports these products both directly and through resellers worldwide.

BASIS OF PRESENTATION

These consolidated financial statements have been prepared by the Corporation in United States (U.S.) dollars and in accordance with generally accepted accounting principles (GAAP) in the U.S., applied on a consistent basis.

Consolidated financial statements prepared in accordance with Canadian GAAP, in U.S. dollars, are made available to all shareholders, and filed with various regulatory authorities.

BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Corporation and its subsidiaries. All but one of the subsidiaries are wholly owned. Intercompany transactions and balances have been eliminated.

ESTIMATES

The preparation of these consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. In the opinion of management, these consolidated financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from these estimates.

COMPREHENSIVE INCOME

Comprehensive income includes net income and "other comprehensive income." Other comprehensive income refers to changes in the balances of revenues, expenses, gains, and losses that are recorded directly as a separate component of Stockholders' Equity and excluded from net income. The only comprehensive item for the Corporation relates to foreign currency translation adjustments pertaining to those subsidiaries not using the U.S. dollar as their functional currency.

FOREIGN CURRENCY TRANSLATION

The financial statements of the parent company and its non-U.S. subsidiaries have been translated into U.S. dollars in accordance with the FASB Statement No. 52, *Foreign Currency Translation*. All balance sheet amounts have been translated using the exchange rates in effect at the applicable year end. Income statement amounts have been translated using the weighted average exchange rate for the applicable year. The gains and losses resulting from the changes in exchange rates from year to year have been reported as a separate component of Stockholders' Equity. Currency transaction gains and losses are immaterial for all periods presented.

REVENUE

The Corporation recognizes revenue in accordance with Statement of Position (SOP) 97-2, *Software Revenue Recognition*, issued by the American Institute of Certified Public Accountants.

Substantially all of the Corporation's product license revenue is earned from licenses of off-the-shelf software requiring no customization. Revenue from these licenses is recognized when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is probable. If a license includes the right to return the product

for refund or credit, revenue is recognized net of an allowance for estimated returns provided all the requirements of SOP 97-2 have been met.

Revenue from product support contracts is recognized ratably over the life of the contract. Incremental costs directly attributable to the acquisition of product support contracts are deferred and expensed in the period the related revenue is recognized.

Revenue from education, consulting, and other services is recognized at the time such services are rendered.

For contracts with multiple obligations (e.g. deliverable and undeliverable products, support obligations, education, consulting and other services), the Corporation allocates revenue to each element of the contract based on objective evidence, specific to the Corporation, of the fair value of the element.

CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS

Cash includes cash equivalents, which are investments that are generally held to maturity and have terms to maturity of three months or less at the time of acquisition. Cash equivalents typically consist of commercial paper, term deposits, banker's acceptances and bearer deposit notes issued by major North American banks, and corporate debt. Cash and cash equivalents are carried at cost, which approximates their fair value.

Short-term investments are investments that are generally held to maturity and have terms greater than three months at the time of acquisition. Short-term investments typically consist of commercial paper, Government of Canada Treasury Bills, and banker's acceptances. Short-term investments are carried at cost, which approximates their fair value.

INVENTORIES

Inventories are comprised principally of finished goods and are stated at the lower of cost, on an average cost basis, and net realizable value.

FIXED ASSETS

Fixed assets are recorded at cost. Computer equipment and software, and the building, are depreciated using the straight line method. Office furniture is depreciated using the diminishing balance method. Leasehold improvements are amortized using the straight line method over either the life of the improvement or the term of the lease, whichever is shorter.

Assets leased on terms that transfer substantially all of the benefits and risks of ownership to the Corporation are accounted for as capital leases, as though the asset had been purchased and a liability incurred. All other leases are accounted for as operating leases.

INTANGIBLE ASSETS

This category includes acquired technology and goodwill associated with various acquisitions, and deferred software development costs.

Acquired technology represents the discounted fair value of the estimated net future income-producing capabilities of software products acquired on acquisitions. Acquired technology is amortized over five years on a straight line basis. The Corporation evaluates the expected future net cash flows of the acquired technology at each reporting date, and adjusts to net realizable value if necessary.

Goodwill represents the excess of the purchase price of acquired companies over the estimated fair value of the tangible and intangible net assets acquired. Goodwill is amortized over five years on a straight line basis. The Corporation evaluates the expected future net cash flows of the acquired businesses at each reporting date, and adjusts goodwill for any impairment.

Software development costs are expensed as incurred unless they meet generally accepted accounting criteria for deferral and amortization. Software development costs incurred prior to the establishment of technological feasibility do not meet these criteria, and are expensed as incurred. Research costs are expensed as incurred. For costs that are capitalized, the amortization is the greater of the amount calcu-

lated using either (i) the ratio that the appropriate product's current gross revenues bear to the total of current and anticipated future gross revenues for that product, or (ii) the straight line method over the remaining economic life of the product. Such amortization is recorded over a period not exceeding three years. The Corporation reassesses whether it has met the relevant criteria for continued deferral and amortization at each reporting date.

Income Taxes

The liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities, and are measured using the enacted tax rates and laws.

2 ACCOUNTS RECEIVABLE

Accounts receivable include an allowance for doubtful accounts of $4,734,000 and $4,430,000 as of February 29, 2000 and February 28, 1999, respectively.

3 FIXED ASSETS

	2000		1999		
	Cost	**Accumulated Depreciation and Amortization**	Cost	Accumulated Depreciation and Amortization	Depreciation/ Amortization Rate
	($000s)		*($000s)*		
Computer equipment and software	**$ 63,334**	**$43,370**	$ 46,795	$32,665	33%
Office furniture	**21,602**	**11,317**	15,877	9,230	20%
Leasehold improvements	**8,160**	**3,726**	5,404	2,754	Lease Term
Land	**820**	**–**	788	–	–
Building	**7,198**	**1,243**	6,916	967	2.5%
Construction in progress *	**3,377**	**–**	–	–	–
	104,491	**$59,656**	75,780	$45,616	
	(59,656)		(45,616)		
Net book value	**$ 44,835**		$ 30,164		

** See Note 7*

Depreciation and amortization of fixed assets was $13,898,000, $10,760,000, and $8,766,000 in each of fiscal 2000, 1999, and 1998, respectively.

4 INTANGIBLE ASSETS

Intangible assets as at February 29, 2000, and February 28, 1999, include acquired technology and goodwill, and are disclosed net of amortization.

The Corporation recorded $2,352,000 of goodwill in fiscal 2000 and $21,604,000 of acquired technology and goodwill in fiscal 1999. Amortization of intangible assets was $5,692,000, $1,330,000, and $558,000 in each of fiscal 2000, 1999, and 1998, respectively (see Note 5).

The Corporation did not capitalize any costs of internally-developed computer software to be sold, licensed, or otherwise marketed in each of fiscal 2000, 1999, and 1998, and recorded $0, $55,000, and $430,000 of corresponding amortization, respectively.

5_ACQUISITIONS

FISCAL 2000 ACQUISITIONS

On May 28, 1999, the Corporation completed the acquisition of Information Tools AG, the Corporation's distributor in Switzerland. The shareholders of Information Tools AG are to receive total consideration of approximately $657,000 of which $458,000 was received in cash during fiscal 2000. The remainder of the consideration ($199,000) is payable equally on the first and second anniversaries of the closing of the transaction. An amount not to exceed $500,000 could also be paid in contingent consideration. Of that amount, approximately $120,000 will be paid in fiscal 2001 relating to fiscal 2000 results and has been recorded as additional purchase price.

On July 15, 1999, the Corporation completed the purchase of the entire outstanding minority interest in the Corporation's subsidiary in Singapore, Cognos Far East Pte Limited. The former minority shareholders of Cognos Far East Pte Limited received approximately $1,688,000 in cash upon completion of the purchase. No further consideration is due to the former minority shareholders of the subsidiary.

Both acquisitions have been accounted for using the purchase method. The results of operations of both acquired companies prior to the acquisition were not material, and thus pro forma information has not been provided. The results of both acquired companies have been combined with those of the Corporation since their respective dates of acquisition.

Total consideration, including acquisition costs, was allocated based on estimated fair values on the acquisition date: ($000s)

	Information Tools AG	Cognos Far East Pte Limited	Total
Assets acquired	$ 683	$ –	$ 683
Liabilities assumed	(570)	–	(570)
Net assets acquired	113	–	113
Goodwill	664	1,688	2,352
Purchase price	$ 777	$1,688	$2,465
Consideration			
Cash	458	1,688	2,146
Deferred payment	319	–	319
	$ 777	$1,688	$2,465

FISCAL 1999 ACQUISITIONS

On December 3, 1998, the Corporation completed the acquisition of substantially all the assets of Relational Matters including DecisionStream software. DecisionStream aggregates and integrates large volumes of transaction data with multidimensional data structures. Relational Matters will receive approximately $7,555,000 over three years and 250,980 shares of the Corporation's common stock valued at $1,823,000 over the same time period. The shares, all of which were issued, are being held in escrow by the Corporation and will be released on the second (40%) and third (60%) anniversaries of the closing of the transaction. For valuation purposes, the deferred payments and shares were appropriately discounted. An independent appraisal valued the in-process research and development at $2,400,000. In the opinion

of management and the appraiser, the acquired in-process research and development had not yet reached technological feasibility and had no alternative future uses. Accordingly, the Corporation recorded a special charge of $2,400,000 ($0.02 per share on a diluted basis) in the fourth quarter ended February 28, 1999, to write off the acquired in-process technology.

On February 24, 1999, the Corporation completed the acquisition of LEX2000 Inc., a developer of financial data mart and reporting software, for a combination of cash and the Corporation's common stock. The shareholders of LEX2000 Inc. will receive approximately $7,444,000 over three years and 252,118 shares of the Corporation's common stock valued at $1,940,000 over the same time period. Approximately 14,200 shares were issued at closing; the remainder, all of which were issued, are being held in escrow by the Corporation and will be released equally on the second (50%) and third (50%) anniversaries of the closing of the transaction. For valuation purposes, the deferred payments and remaining shares were appropriately discounted. An independent appraisal valued the in-process research and development at $1,400,000. In the opinion of management and the appraiser, the acquired in-process research and development had not yet reached technological feasibility and had no alternative future uses. Accordingly, the Corporation recorded a special charge of $1,400,000 ($0.02 per share on a diluted basis) in the fourth quarter ended February 28, 1999, to write off the acquired in-process technology.

The scheduled aggregate annual payments for the long-term liabilities related to these two acquisitions are $3,501,000 and $2,599,000 in fiscal 2001 and 2002 respectively. Amounts due within twelve months are included in accrued charges.

Both acquisitions have been accounted for using the purchase method. The results of operations of both acquired companies prior to the acquisitions were not material, and thus pro forma information has not been provided. The results of both acquired companies have been combined with those of the Corporation since their respective dates of acquisition.

Total consideration, including acquisition costs, was allocated based on estimated fair values on the acquisition date: ($000s)

	Relational Matters	LEX2000	Total
Assets acquired			
In-process technology	$2,400	$ 1,400	$ 3,800
Acquired technology	3,600	13,165	16,765
Other assets	25	1,501	1,526
	6,025	16,066	22,091
Liabilities assumed	(37)	(2,869)	(2,906)
Deferred tax credits	—	(5,267)	(5,267)
Net assets acquired	5,988	7,930	13,918
Goodwill	3,385	1,454	4,839
Purchase price	$9,373	$ 9,384	$18,757
Consideration			
Cash	$4,419	$ 4,755	$ 9,174
Deferred payment	3,131	2,689	5,820
Shares	1,823	1,940	3,763
	$9,373	$ 9,384	$18,757

FISCAL 1998 ACQUISITIONS

On April 9, 1997, the Corporation completed the acquisition of Right Information Systems Limited (RIS) of London, England. RIS was the provider of 4Thought™, business modeling and forecasting software. The shareholders of RIS received $4,500,000 and 180,000 shares of the Corporation's common stock, valued at $1,607,000. These shares, all of which were issued, are being held in escrow by the Corporation until April 9, 2000. An independent appraisal valued the in-process research and development at $5,000,000. In the opinion of management and the appraiser, the acquired in-process research and development had not yet reached technological feasibility and had no alternative

future uses. Accordingly, the Corporation recorded a special charge of $5,000,000 ($0.05 per share on a diluted basis) in the first quarter ended May 31, 1997, to write off the acquired in-process technology.

On October 24, 1997, the Corporation completed the acquisition of Interweave Software, Inc. (Interweave) of Santa Clara, California, U.S.A. Interweave was the developer and marketer of the Interweave software product line, which allows information technology organizations to deploy intranet- and extranet-based business intelligence applications more broadly within and across enterprises. The acquisition agreement called for the Corporation to pay $12,415,000 to the shareholders of Interweave, the majority of which was paid upon completion of the acquisition. An independent appraisal valued the in-process research and development at $13,000,000. In the opinion of management and the appraiser, the acquired in-process research and development had not yet reached technological feasibility and had no alternative future uses. Accordingly, the Corporation recorded a special charge of $13,000,000 ($0.14 per share on a diluted basis) in the third quarter ended November 30, 1997, to write off the acquired in-process technology.

Both acquisitions have been accounted for using the purchase method. The results of operations of both acquired companies prior to the acquisitions were not material, and thus pro forma information has not been provided. The results of both acquired companies have been combined with those of the Corporation since their respective dates of acquisition.

Total consideration, including acquisition costs, was allocated based on estimated fair values on the acquisition date: ($000s)

	RIS	Interweave	Total
Assets acquired			
In-process technology	$ 5,000	$13,000	$18,000
Other assets	239	390	629
	5,239	13,390	18,629
Liabilities assumed	(1,050)	(4,544)	(5,594)
Net assets acquired	4,189	8,846	13,035
Goodwill	1,918	3,569	5,487
Purchase price	$ 6,107	$12,415	$18,522
Consideration			
Cash	$ 4,500	$12,415	$16,915
Shares	1,607	–	1,607
	$ 6,107	$12,415	$18,522

6 LONG-TERM DEBT

	2000	1999
	($000s)	
Mortgage at 12.5% per annum, repayable in blended monthly installments of principal and interest of Cdn $45,200 to October 2000	**$ 2,142**	$2,160
Other	**34**	452
	2,176	2,612
Less current portion	**(2,176)**	(123)
	$ –	$2,489

Interest expense on long-term debt was $264,000, $271,000, and $301,000 in fiscal 2000, 1999, and 1998, respectively.

7_COMMITMENTS

Certain of the Corporation's offices, computer equipment, and vehicles are leased under various terms. The annual aggregate lease expense in each of fiscal 2000, 1999, and 1998 was $12,205,000, $9,219,000, and $8,599,000, respectively.

The aggregate amount of payments for these operating leases, in each of the next five fiscal years and thereafter, is approximately as follows: ($000s)

2001	$12,939
2002	10,261
2003	7,501
2004	4,915
2005	4,200
Thereafter	8,770

In August 1999, the Corporation announced plans for the construction of a second building on the site of its corporate headquarters on Riverside Drive in Ottawa — *Riverside II*. The total cost of Riverside II and related improvements is estimated to be $21 million. The Corporation is currently committed to approximately $15 million of the total cost and as at February 29, 2000, had incurred capital expenditures of approximately $3.4 million. Construction is expected to be substantially complete before the end of fiscal 2001.

8_FINANCIAL INSTRUMENTS

OFF-BALANCE-SHEET RISK

The Corporation's policy with respect to foreign currency exposure is to manage its financial exposure to certain foreign exchange fluctuations with the objective of neutralizing some of the impact of foreign currency exchange movements. To achieve this objective, the Corporation enters into foreign exchange forward contracts to hedge portions of the net investment in its various subsidiaries. As a result, the exchange gains and losses recorded on translation of the subsidiaries' financial statements are partially offset by the gains and losses attributable to the applicable foreign exchange forward contracts. Realized and unrealized gains and losses from the applicable foreign exchange forward contracts are recorded as part of the foreign currency translation adjustments included in the Consolidated Statements of Stockholders' Equity. The Corporation has foreign exchange conversion facilities that allow it to hold foreign exchange contracts of Cdn $130,000,000 (US $89,730,000) outstanding at any one time. The Corporation enters into foreign exchange forward contracts with major Canadian chartered banks, and therefore does not anticipate non-performance by these counterparties. The amount of the exposure on account of any non-performance is restricted to the unrealized gains in such contracts. As of February 29, 2000, the Corporation had foreign exchange forward contracts, with maturity dates ranging from March 30, 2000 to May 25, 2000, to exchange various foreign currencies in the amount of $6,239,000. As of February 28, 1999, the Corporation had foreign exchange forward contracts, with maturity dates ranging from March 25, 1999 to May 27, 1999, to exchange various foreign currencies in the amount of $3,862,000.

CONCENTRATION OF CREDIT RISK

The investment of cash is regulated by the Corporation's investment policy, which is periodically reviewed and approved by the Audit Committee of the Board of Directors. The primary objective of the Corporation's investment policy is security of principal. The Corporation manages its investment credit risk through a combination of (i) a selection of securities with an acceptable credit rating; (ii) selection of term to maturity, which in no event exceeds one year in length; and (iii) diversification of debt issuers, both individually and by industry grouping.

Included in cash, cash equivalents, and short-term investments as of February 29, 2000 and February 28, 1999 were corporate debt amounts of $73,805,000 and $46,941,000, respectively. The corporate debt amounts as of February 29, 2000 and February 28, 1999 were with two distinct issuers. These amounts were repaid, in full, at maturity in March of their respective years. All the Corporation's short-term investments as of February 29, 2000 and February 28, 1999 had maturity dates before the end of June of their respective years. The Corporation's cash, cash equivalents, and short-term investments are denominated predominantly in Canadian and U.S. dollars.

The Corporation has an unsecured credit facility, subject to annual renewal, that includes an operating line and foreign exchange conversion facilities. The operating line permits the Corporation to borrow funds or issue letters of credit or guarantee up to an aggregate of Cdn $15,000,000 (US $10,353,000), subject to certain covenants. As of February 29, 2000 and February 28, 1999, there were no direct borrowings under this operating line.

There is no concentration of credit risk related to the Corporation's position in trade accounts receivable. Credit risk, with respect to trade receivables, is minimized because of the Corporation's large customer base and its geographical dispersion (see Note 12).

FAIR VALUE OF FINANCIAL INSTRUMENTS

For certain of the Corporation's financial instruments, including accounts receivable, accounts payable, and other accrued charges, the carrying amounts approximate the fair value due to their short maturities. Cash and cash equivalents, short-term investments, long-term debt, and long-term liabilities are carried at cost, which approximates their fair value.

9_INCOME TAXES

Details of the income tax provision (recovery) are as follows: ($000s)

	2000	1999	1998
Current			
Canadian	**$ 4,909**	$ 5,313	$ 1,360
Foreign	**9,943**	9,228	8,550
	14,852	14,541	9,910
Deferred			
Canadian	**8,201**	(1,370)	2,459
Foreign	**(180)**	(37)	(1,252)
	8,021	(1,407)	1,207
Income tax provision	**$22,873**	$13,134	$11,117

The reported income tax provision differs from the amount computed by applying the Canadian rate to income before income taxes. The reasons for this difference and the related tax effects are as follows: ($000s)

	2000	1999	1998
Expected Canadian tax rate	**44.0%**	44.0%	44.0%
Expected tax provision	**$ 35,943**	$ 31,490	$ 19,254
Foreign tax rate differences	**(10,422)**	(10,906)	(8,740)
Net change in valuation allowance and other income tax benefits earned	**(6,688)**	(9,142)	(10,759)
Non-deductible expenses and non-taxable income	**2,876**	193	643
Non-deductible in-process R&D write-off	**–**	560	7,400
Withholding tax on foreign income	**1,179**	987	822
Reorganization costs	**–**	–	2,426
Other	**(15)**	(48)	71
Reported income tax provision	**$ 22,873**	$ 13,134	$ 11,117

Deferred income taxes result principally from temporary differences in the recognition of certain revenue and expense items for financial and tax reporting purposes. Significant components of the Corporation's deferred tax assets and liabilities as of February 29, 2000 and February 28, 1999 are as follows: ($000s)

	2000	1999
Deferred tax assets		
Net operating tax loss carryforwards	**$ 4,460**	$ 5,507
Investment tax credits	**1,404**	4,499
Deferred revenue	**2,490**	2,702
Other	**2,186**	1,912
Total deferred tax assets	**10,540**	14,620
Valuation allowance for deferred tax assets	**(4,460)**	(5,507)
Net deferred tax assets	**6,080**	9,113
Deferred tax liabilities		
Book and tax differences on assets	**9,489**	6,969
Reserves and allowances	**7,484**	5,415
Income tax credits	**5,346**	4,502
Other	**(1,089)**	14
Total deferred tax liabilities	**21,230**	16,900
Net deferred income tax liability	**$ 15,150**	$ 7,787

The net change in the total valuation allowance for the years ended February 29, 2000 and February 28, 1999 was a decrease of $1,047,000 and $7,309,000, respectively.

Realization of the net deferred tax assets is dependent on generating sufficient taxable income in certain legal entities. Although realization is not assured, management believes it is more likely than not that the net amount of the deferred tax asset will be realized. However, this estimate could change in the near term as future taxable income in these certain legal entities changes.

As of February 29, 2000, the Corporation had tax loss carryforwards of approximately $10,027,000 available to reduce future years' income for tax purposes. These losses expire as follows: ($000s)

2002	$ 294
2003–2010	425
Indefinitely	9,308
Total	$10,027

Income before taxes attributable to all foreign operations was $41,548,000, $42,152,000, and $23,546,000 in each of fiscal 2000, 1999, and 1998, respectively.

The Corporation has provided for foreign withholding taxes on the portion of the undistributed earnings of foreign subsidiaries expected to be remitted.

Income taxes paid were $18,658,000, $8,201,000, and $11,273,000 in each of fiscal 2000, 1999, and 1998, respectively.

10_STOCKHOLDERS' EQUITY

CAPITAL STOCK

The authorized capital of the Corporation consists of an unlimited number of common shares, without nominal or par value, and an unlimited number of preferred shares, issuable in series. No series of preferred shares has been created or issued.

Share Repurchase Programs

The share repurchases made in the past three fiscal years were part of distinct open market share repurchase programs through the Nasdaq National Market. The share repurchases made in fiscal 2000 were part of two open market share repurchase programs. The program adopted in October 1998 expired on October 8, 1999. Under this program the Corporation repurchased 3,161,800 of its shares; all repurchased shares were cancelled. In October 1999, the Corporation adopted a new program that will enable it to purchase up to 4,200,000 common shares (not more than 5% of those issued and outstanding) between October 9, 1999 and October 8, 2000. This program does not commit the Corporation to make any share repurchases. Purchases will be made on The Nasdaq Stock Market at prevailing open market prices and paid out of general corporate funds. All repurchased shares will be cancelled.

The details of the share repurchases were as follows:

	2000		1999		1998	
	Shares	**Cost**	Shares	Cost	Shares	Cost
	(000s)	***($000s)***	*(000s)*	*($000s)*	*(000s)*	*($000s)*
July 1996 program	**–**	**$ –**	–	$ –	170	$ 1,931
October 1997 program	**–**	**–**	2,030	23,463	2,370	27,180
October 1998 program	**2,186**	**24,689**	976	10,674	–	–
October 1999 program	**100**	**1,324**	–	–	–	–
	2,286	**$26,013**	3,006	$34,137	2,540	$29,111

The amount paid to acquire the shares over and above the average carrying value has been charged to retained earnings.

Stock Option Plans

As of February 29, 2000, the Corporation had stock options outstanding under two plans: 4,421,000 pertain to the 1997–2002 Stock Option Plan and 2,849,000 pertain to the 1993–1998 Stock Option Plan.

There were 14,000,000 shares of common stock originally reserved by the Board of Directors for issuance under the Corporation's 1997–2002 Stock Option Plan ("the Plan"), which was approved by the Corporation's shareholders in June 1997 and replaced the 1993–1998 Stock Option Plan. Options may be granted to directors, officers, employees, and consultants at such times and under such terms as established by the Plan. Options may be fully exercisable on the date of grant or may be exercisable in installments. Options will expire not later than 10 years from the date of grant or any shorter period as may be determined. All options are priced at the market price of the Corporation's shares on The Toronto Stock Exchange on the trading day preceding the date of grant. In June 1999, options were awarded to employees, executive officers, and directors. These options vest equally in April 2000, April 2001, April 2002, and April 2003, and expire in April 2007. There were 9,381,000 options available for grant under the Plan as of February 29, 2000.

Under the 1993–1998 Stock Option Plan, options were awarded to directors, officers, and employees. For the options outstanding as of February 29, 2000, the vesting dates extend to September 2001 and the expiry dates range from April 2000 to September 2005. In April 1996, options were awarded to certain key officers under an executive option award. These options vest equally in April 1999, April 2000, and April 2001, and expire in April 2003. All options were priced at the market price of the Corporation's shares on The Toronto Stock Exchange on the trading day preceding the date of grant. The 1993–1998 Stock Option Plan expired on January 1, 1998.

Employee Stock Purchase Plan

This plan was approved by the Corporation's shareholders in July 1993 and was amended on May 19, 1999. The amended plan was approved by the Corporation's shareholders on June 22, 1999, and will terminate on November 30, 2002. Under the plan, 3,000,000 common shares were reserved for issuance. A participant in the Employee Stock Purchase Plan authorizes the Corporation to deduct an amount per pay period that cannot exceed five (5) percent of annual target salary divided by the number of pay periods per year. Deductions are accumulated during each of the Corporation's fiscal quarters ("Purchase Period") and on the first trading day following the end of any Purchase Period these deductions are applied toward the purchase of common shares. The purchase price per share is ninety (90) percent of the lesser of The Toronto Stock Exchange average closing price on (a) the first five trading days of the Purchase Period or (b) the last five trading days of the Purchase Period. All full-time and part-time permanent employees may participate in the plan.

Accounting for Stock-Based Compensation

The Corporation applies APB Opinion 25 in accounting for its stock option and purchase plans. The exercise price of all stock options is equal to the market price of the stock on the trading day preceding the date of grant. Accordingly, no compensation cost has been recognized in the financial statements for its stock option and stock purchase plans.

If the fair values of the options granted since fiscal 1996 had been recognized as compensation expense on a straight line basis over the vesting period of the grant (consistent with the method prescribed by FASB Statement No. 123), stock-based compensation costs would have reduced net income by $9,096,000, $8,239,000, and $6,824,000; reduced basic net income per share by $0.11, $0.09, and $0.08, and reduced diluted net income per share by $0.10, $0.09, and $0.07 in fiscal 2000, 1999, and 1998, respectively.

Because Statement No. 123 is applicable only to options granted subsequent to February 28, 1995 and the Corporation's amortization period for compensation expense approximates four years, the above pro forma disclosure for fiscal 1998 is not indicative of pro forma amounts that will be reported in future years. The pro forma disclosure for fiscal 2000 and 1999 includes the full extent of amortization expense for four years of option grants.

The fair value of the options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for fiscal 2000, 1999, and 1998, respectively: risk-free interest rates of 5.8%, 5.5%, and 6.5%, expected life of the options of 2.8 years, 2.9 years, and 3.0 years, expected volatility of 55%, 56%, and 56%, and for all years, a dividend yield of zero.

Activity in the stock option plans for fiscal 2000, 1999, and 1998 was as follows:

	2000		1999		1998	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
	(000s)		*(000s)*		*(000s)*	
Outstanding, beginning of year	**6,769**	**$ 9.72**	6,571	$ 8.29	7,940	$ 5.33
Granted	**2,772**	**11.18**	1,935	13.33	2,190	11.48
Exercised	**(1,973)**	**7.81**	(1,054)	3.94	(3,316)	2.60
Cancelled	**(298)**	**11.73**	(683)	9.52	(243)	9.54
Outstanding, end of year	**7,270**	**11.17**	6,769	9.72	6,571	8.29
Options exercisable at year end	**1,234**		1,460		1,077	
Weighted average per share fair value of options granted during the year calculated using the Black-Scholes option pricing model		**$ 4.59**		$ 5.54		$ 4.84

The following table summarizes significant ranges of outstanding and exercisable options held by directors, officers, and employees as of February 29, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options	Weighted Average Remaining Life	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
	(000s)			*(000s)*	
$ 3.55–$ 5.52	26	0.4 years	$ 4.22	25	$ 4.22
$ 8.76–$10.69	1,801	4.2	8.95	407	8.96
$10.70–$11.04	3,612	6.5	10.93	449	10.94
$11.05–$13.86	1,660	6.2	13.37	353	13.17
$17.58–$23.56	158	7.8	18.65	–	–
$27.95–$28.06	13	7.9	28.03	–	–
	7,270	5.9	11.17	1,234	10.78

NET INCOME PER SHARE

The dilutive effect of stock options is excluded under the requirements of FASB Statement No. 128 for calculating net income per share, but is included in the calculation of diluted net income per share.

The reconciliation of the numerator and denominator for the calculation of net income per share and diluted net income per share is as follows: (000s, except per-share amounts)

	2000	1999	1998
Net Income per Share			
Net income	**$58,815**	$58,434	$32,642
Weighted average number of shares outstanding	**85,972**	87,416	88,414
Net income per share	**$0.68**	$0.67	$0.37
Diluted Net Income per Share			
Net income	**$58,815**	$58,434	$32,642
Weighted average number of shares outstanding	**85,972**	87,416	88,414
Dilutive effect of stock options *	**2,128**	1,524	3,130
Adjusted weighted average number of shares outstanding	**88,100**	88,940	91,544
Diluted net income per share	**$0.67**	$0.66	$ 0.36

** All anti-dilutive options have been excluded. The average number of anti-dilutive options was 1,580,000, 1,980,000, and 542,000 for fiscal 2000, 1999, and 1998, respectively.*

11_PENSION PLANS

The Corporation operates a Retirement Savings Plan for the parent company and also operates various other defined contribution pension plans for its subsidiaries. The Corporation contributes amounts related to the level of employee contributions for both types of plans.

The pension costs in fiscal 2000, 1999, and 1998 were $3,839,000, $2,744,000, and $2,327,000, respectively.

12_SEGMENTED INFORMATION

The Corporation operates in one business segment—computer software tools. This segment engages in business activities from which it earns license, support, and services revenue, and incurs expenses. Within this business segment, the Corporation develops, markets, and supports two complementary lines of software products that are designed to satisfy enterprise-wide business-critical needs. The Corporation's business intelligence products give individual users the ability to independently access, explore, analyze, and report corporate data. The Corporation's client/server application development tools are designed to increase the productivity of system analysts and developers. Cognos products are distributed both directly and through resellers worldwide.

Revenue is derived from the licensing of software and the provision of related services, which include product support and education, consulting, and other services. The Corporation generally licenses software and provides services subject to terms and conditions consistent with industry standards. Customers may elect to contract with the Corporation for product support, which includes product and documentation enhancements, as well as telephone support, by paying either an annual fee or fees based on usage of support services.

The Corporation operates internationally, with a substantial portion of its business conducted in foreign currencies. Accordingly, the Corporation's results are affected by year-over-year exchange rate fluctuations of the United States dollar relative to the Canadian dollar, to various European currencies, and to a lesser extent, other foreign currencies.

No single customer accounted for 10% or more of the Corporation's revenue during any of the last three fiscal years. In addition, the Corporation is not dependent on any single customer or group of customers, or supplier.

The accounting policies for the segment are the same as those described in the Summary of Significant Accounting Policies. The required financial information for segment profit and segment assets is the same as that presented in the Consolidated Financial Statements. Geographic information is as follows: ($000s)

	2000	1999	1998
Revenue to external customers*			
U.S.A.	**$204,730**	$153,827	$123,774
Canada	**30,120**	24,040	22,328
United Kingdom	**44,972**	41,563	38,257
Europe	**77,778**	60,502	43,189
Asia/Pacific	**28,040**	21,193	17,286
	$385,640	$301,125	$244,834

** Revenues are attributed to countries based on location of customer*

	2000	1999
Fixed assets		
Canada	**$31,055**	$20,148
U.S.A.	**8,659**	6,078
Other countries	**5,121**	3,938
	$44,835	$30,164
Intangible assets		
Canada	**$ 8,264**	$ 7,966
U.S.A.	**13,599**	17,237
	$21,863	$25,203

13_ NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* which establishes standards for derivative instruments and hedging activities. It requires that all derivatives be recognized as either assets or liabilities on the Balance Sheet and be measured at fair value. This Statement is effective for fiscal years beginning after June 15, 2000, which is the fiscal year beginning March 1, 2001 for the Corporation. Prior periods should not be restated. The Corporation has not yet quantified the impact, if any, of this pronouncement on its consolidated financial statements.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements*, which was amended in March 2000 by SAB 101A. The SAB summarizes certain of the SEC staff views in applying generally accepted accounting principles to revenue recognition in financial statements. This SAB is effective beginning the Corporation's second quarter of fiscal 2001. The Corporation does not expect the adoption of this SAB to have a material impact on its results of operations or financial position.

14_ COMPARATIVE RESULTS

Certain of the prior years' figures have been reclassified in order to conform to the presentation adopted in the current year.

15_ SUBSEQUENT EVENT

On April 6, 2000, the Board of Directors of the Corporation authorized a two-for-one stock split, effected in the form of a stock dividend, payable on or about April 27, 2000, to shareholders of record at the close of business on April 20, 2000.

All share and per-share amounts in the accompanying financial statements, and notes thereto, have been adjusted for the split.

Selected Consolidated Financial Data

FIVE-YEAR SUMMARY

The following Selected Consolidated Financial Data has been derived from the Corporation's consolidated financial statements that have been audited by Ernst & Young LLP, independent chartered accountants. The Selected Consolidated Financial Data should be read in conjunction with the Consolidated Financial Statements and related Notes, and with Management's Discussion and Analysis of Financial Condition and Results of Operations.

On April 6, 2000, subsequent to year-end, the Board of Directors of the Corporation authorized a two-for-one stock split, effected in the form of a stock dividend, payable on or about April 27, 2000 to shareholders of record at the close of business on April 20, 2000. All historic consolidated results have been restated for the split.

					YEARS ENDED THE LAST DAY OF FEBRUARY
	2000	1999	1998	1997	1996
					(US$000s except share amounts, U.S. GAAP)
Statement of Income Data					
Revenue	**$385,640**	$301,125	$244,834	$198,185	$152,186
Operating expenses					
Cost of product license	**5,235**	5,738	3,828	3,266	3,433
Cost of product support	**13,758**	11,166	9,694	9,634	7,488
Selling, general, and administrative	**238,147**	172,482	140,882	114,617	98,908
Research and development	**53,548**	42,274	33,530	28,951	22,382
Acquired in-process technology	**–**	3,800	18,000	–	–
Total operating expenses	**310,688**	235,460	205,934	156,468	132,211
Operating income	**74,952**	65,665	38,900	41,717	19,975
Interest expense	**(718)**	(527)	(481)	(427)	(468)
Interest income	**7,454**	6,430	5,340	4,524	4,019
Income before taxes	**81,688**	71,568	43,759	45,814	23,526
Income tax provision	**22,873**	13,134	11,117	9,025	5,996
Net income	**$ 58,815**	$ 58,434	$ 32,642	$ 36,789	$ 17,530
Net income per share					
Basic	**$0.68**	$0.67	$0.37	$0.43	$0.21
Diluted	**$0.67**	$0.66	$0.36	$0.40	$0.20
Net income per share, excluding the effect of the write-off of acquired in-process technology					
Basic	**$0.68**	$0.71	$0.57	$0.43	$0.21
Diluted	**$0.67**	$0.69	$0.55	$0.40	$0.20
Weighted average number of shares (000s)					
Basic	**85,972**	87,416	88,414	86,298	82,578
Diluted	**88,100**	88,940	91,544	92,104	88,602
Balance Sheet Data (at end of period)					
Working capital	**$166,455**	$123,343	$112,846	$103,727	$66,149
Total assets	**379,886**	289,129	219,663	189,152	140,010
Total debt	**2,176**	2,612	2,457	2,655	2,744
Stockholders' equity	**215,304**	162,614	131,005	115,912	78,297

Directors and Officers

BOARD OF DIRECTORS

James M. Tory, Q.C. [1,2]
Chairman of the Board
Chair Emeritus and Counsel,
Torys

John E. Caldwell [2]
Private Investor

Douglas C. Cameron [1,2]
Investment Advisor,
RBC Dominion Securities Inc.

Pierre Y. Ducros [3]
Private Investor

Douglas J. Erwin [3]
President and CEO
PentaSafe, Inc.

Robert W. Korthals [3]
Private Investor

Candy M. Obourn [2]
President, Document Imaging & Senior Vice President,
Eastman Kodak Company

Renato Zambonini
President and Chief Executive Officer

1 Member of the Corporate Governance Committee
2 Member of the Audit Committee
3 Member of the Human Resources & Compensation Committee

EXECUTIVE OFFICERS

Renato Zambonini
President and
Chief Executive Officer

Robert G. Ashe
Senior Vice President,
Worldwide Customer Services

Robert Engels
Senior Vice President,
European Operations

Terry Hall
Senior Vice President,
Operations and Chief Operating Officer

Robert Minns
Senior Vice President,
New Products

Joanne K. Masingill
Senior Vice President,
Marketing

Donnie M. Moore
Senior Vice President,
Finance & Administration and
Chief Financial Officer

Alan Rottenberg
Senior Vice President,
e-Business Intelligence Applications Unit

OTHER OFFICERS

Jane A. Baird
Vice President,
Corporate Communications

Rod Brandvold
Vice President,
Organizational Development

Jane Campbell
Vice President,
Business Performance Management
Development

Tom Camps
Vice President,
Market Strategies

Diana Cianciusi
Corporate Counsel and Assistant Corporate Secretary

Sam Clarke
Vice President,
Asia Pacific Operations

Rob Collins
Vice President,
Information Services and
Chief Information Officer

Margaret Dacey
Vice President,
Corporate Human Resources

Guy Dupuis
Vice President,
Product Services

Tom Fazal
Vice President,
BI Framework

Jennifer Francis
Vice President,
Business Performance Management
Product Management

W. John Jussup
Vice President,
General Counsel and Secretary

John R. Lawlor
Vice President,
Corporate Relations

Patrick Lutge
Vice President,
Southern Europe

Walter R. MacDonald
Vice President,
Finance

Denis Makepeace
Vice President,
Administration and Logistics

Robin McNeill
Vice President,
PowerPlay Products

Patrick O'Leary
Vice President,
Strategic Alliances & Channel Marketing

Frank Paveck
Vice President,
Corporate Controller

Robert F. Reisner
Vice President

Rob Rose
Vice President,
Solutions and Product Marketing

James Sinclair
Vice President,
Product Development Financial and Analytic Applications

Tony Sirianni
Vice President,
North American Field Operations

Donna Sparks
Vice President,
Worldwide Customer Support

Jack Thomas
Vice President,
Asia Pacific Offshore Field Operations

Ad Voogt
Vice President,
Northern European Operations

Robert Zalums
Vice President,
United Kingdom Operations

Corporate Information

HEADQUARTERS

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SUBSIDIARIES

Americas
Cognos Corporation, (U.S.A.)
LEX2000 Inc., (U.S.A.)

Europe and Africa
Cognos AB, (Sweden)
Cognos A/S, (Denmark)
Cognos Austria GmbH
Cognos B.V., (The Netherlands)
Cognos France S.A.
Cognos GmbH, (Germany)
Cognos Limited, (U.K.)
Cognos N.V./S.A., (Belgium)
Cognos South Africa (PTY) Limited
Cognos S.p.A. (Italy)
Cognos (Switzerland) Ltd.

Asia/Pacific
Cognos Far East Pte Limited, (Singapore)
Cognos PTY Limited, (Australia)
Teijin Cognos Incorporated, (Japan)

All subsidiaries are 100% owned except
Teijin Cognos Incorporated (50% owned).

AUDITORS

Ernst & Young LLP
Ottawa, Ontario, Canada

BANKERS

The Royal Bank of Canada
Ottawa, Ontario, Canada

LEGAL COUNSEL

Torys
Toronto, Ontario, Canada

Testa, Hurwitz & Thibeault LLP
Boston, Massachusetts, U.S.A.

TRANSFER AGENTS AND REGISTRARS

Montreal Trust Company of Canada
Toronto, Ontario, Canada

ChaseMellon Shareholder Services
New York, New York, U.S.A.

Common Share Information

PRINCIPAL MARKETS

The Toronto Stock Exchange and the Nasdaq National Market are the principal markets on which the Corporation's shares are traded.

The Corporation's common shares were first listed on The Toronto Stock Exchange on August 21, 1986, on The Nasdaq Stock Market on July 1, 1987, and on Nasdaq's National Market on September 15, 1987. The stock symbol of the Corporation's common shares on The Toronto Stock Exchange is CSN and on Nasdaq is COGN.

On April 6, 2000, subsequent to year-end, the Board of Directors of the Corporation authorized a two-for-one stock split, effected in the form of a stock dividend, payable on or about April 27, 2000 to shareholders of record at the close of business on April 20, 2000. All historic information has been adjusted for the split.

The following table sets forth the high and low sale prices, as well as the trading volume, for the common shares for the fiscal periods shown below:

	NASDAQ NATIONAL MARKET			THE TORONTO STOCK EXCHANGE		
	High	Low	Volume	High	Low	Volume
	(US$)	*(US$)*	*(000s)*	*(Cdn$)*	*(Cdn$)*	*(000s)*
Fiscal 1999						
First Quarter	15.250	12.438	21,274	21.63	17.55	11,652
Second Quarter	13.625	8.594	19,230	20.13	13.40	7,258
Third Quarter	10.625	7.375	24,352	16.25	11.38	9,802
Fourth Quarter	14.063	8.563	23,826	21.28	13.35	9,614
Fiscal 2000						
First Quarter	12.938	9.750	13,625	18.88	14.88	9,465
Second Quarter	12.063	9.844	14,415	17.80	14.63	12,054
Third Quarter	19.188	9.688	19,314	28.00	14.30	13,575
Fourth Quarter	37.125	16.688	29,621	54.00	24.73	16,386
Fiscal 2001						
First Quarter (through April 20, 2000)	41.125	23.313	22,518	60.50	34.00	10,025

SHAREHOLDERS

As of April 20, 2000, there were approximately 86,990,752 registered shareholders.

DIVIDEND POLICY

The Corporation has never declared or paid any cash dividends on its common shares. The Corporation's current policy is to retain its earnings to finance expansion and to develop, license, and acquire new software products, and to otherwise reinvest in the Corporation.

Sales Offices

CANADA
Cognos Incorporated
Montréal, QC
Ottawa, ON
Québec City, QC
Toronto, ON
Vancouver, BC

U.S.A.
Cognos Corporation
and LEX2000 Inc.
Atlanta, GA
Boston, MA
Chicago, IL
Cincinnati, OH
Dallas, TX
Houston, TX
Los Angeles, CA
Miami, FL
Minneapolis, MN
New York, NY
Philadelphia, PA
Pittsburgh, PA
Portland, OR
Princeton, NJ
San Francisco, CA
San Ramon, CA
Seattle, WA
Stamford, CT
Washington, DC

UNITED KINGDOM
Cognos Limited
Bracknell
Manchester

AUSTRIA
Cognos Austria GmbH
Vienna

BELGIUM
Cognos N.V./S.A.
Brussels

DENMARK
Cognos S.A.
Copenhagen

FRANCE
Cognos France S.A.
Paris
Strasbourg

GERMANY
Cognos GmbH
Berlin
Frankfurt
Hamburg
Munich

ITALY
Cognos S.p.A.
Milan

NORWAY
Cognos Norge, a branch office
of Cognos AB
Oslo

THE NETHERLANDS
Cognos B.V.
Nieuwegein

SWEDEN
Cognos AB
Stockholm

SWITZERLAND
Cognos (Switzerland), Ltd.
Dietikon
Geneva

SOUTH AFRICA
Cognos South Africa (PTY) Limited
Johannesburg

AUSTRALIA
Cognos PTY Limited
Canberra, ACT
Melbourne, VIC
Perth, WA
Sydney, NSW

HONG KONG
Cognos Hong Kong, a branch office of
Cognos Far East Pte Limited

JAPAN
Teijin Cognos Incorporated
Tokyo

SINGAPORE
Cognos Far East Pte Limited

Geographic Distributors

Argentina

ADE Argentina S.A.
Buenos Aires

Data Systemfin S.A.
Buenos Aires

Grupo Quanam
Buenos Aires

MSB Argentina
Buenos Aires

Bahrain

EACOM
Al Manama

Brazil

Axial Informática Ltda
Rio De Janeiro

Axial Informática Ltda
São Paulo

Resource Informática Ltda
São Paulo

Softtek do Brasil
Rio de Janeiro

Softtek do Brasil
São Paulo

Uniplace Sistemas De Informação
São Paulo

Chile

Informat S.A.
Santiago

China

Beijing Super-Info Information
Systems Co. Ltd.
Beijing

Colombia

Feged Bi
Bogota

Procalidad Ltda
Bogotá

Costa Rica

Nexys
San José

Czech Republic

ICL Czech Republic
Prague

Dominican Republic

Esacomp S.A.
Santo Domingo

Ecuador

Métados Avanzados Industriales
Quito

Egypt

Systems Management Consultants
Cairo

El Salvador

CAT S.A. de C.V.
San Salvador

Finland

Powerteam OY
Helsinki

Greece

Scicom S.A.
Athens

Symmetrics S.A.
Athens

Guatemala

Microdata S.A.
Guatemala City

Hungary

Axis Kft
Budapest

Iceland

Kerfi hf
Reykavik

India

IIS Infotech Ltd
New Delhi

Indonesia

P T Summitra Solusindo
Jakarta

Israel

LiBi Systems Ltd
Herzlia

Yana Systems Ltd
Holon

Korea

Lexken Corporation
Seoul

Kuwait

Kuwait Computer Services
Safat

Malaysia

PSM Technology Sdn Bhd
Kuala Lumpur

Malta

Integrated Business Systems
Gzira

Mauritius

Currimjee Jeewanjee & Company Ltd.
Port Louis

Mexico

DSS S.A. de C.V.
D.F.

Grupo Demos
D.F.

Kybos
Monterrey

Softtek
D.F.

Softtek
Monterrey

New Zealand

CDP Limited
Auckland

CDP Limited
Wellington

Oman

Imtac LLC
Muscat

Panama

Marketing & Sales Technologies, Inc
Panama City

Peru

CosapiSoft
Lima

Softtek Peru
Lima

Philippines

Nexus Technologies, inc
Manila

Poland

Hogart Ltd
Warsaw

Trax s.c.
Zielona Gora

Portugal

Empresa Nacionalde Software Lda.
Porto

SINFIC
Lisbon

Russian Federation

Argussoft
Moscow

Saudi Arabia

National Computer Service Centre
Jeddah

Slovak Republic

Novekon s.r.o.
Kosice

Slovenia

Razvojni Centre
Celje

South Korea

Lexken Corporation
Seoul

Spain

Centrisa S.A.
Barcelona

Centrisa S.A.
Madrid

Eagel S.A.
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For more information on Cognos, including the Corporation's Annual Report, Form 10-K, and Form 10-Q filings with the Securities and Exchange Commission, please visit the Cognos Web site at www.cognos.com or contact us at investor.relations@cognos.com, or by fax at 613 738 7442.

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